FIRST EDITION: 8th January, 1977

Price Rs. 55.00

SHOWROOM:

HIMALAYA PUBLISHING HOUSE

Swadeshi Mills Estate
Girgaum, Bombay 400 004
(Telephone: 351186, 355798)

Published by D. P. Pandey for Himalaya Publishing House, 4/A-16, Sangeeta, 71, Juhu Road, Bombay-400 054, and printed by B J. Driver, at Tri Printers, 4-A, Dr. P. G. Solanki Path, Dr. D. Bhadkamkar Road, Bombay-400 007.

THE PRIME MINISTER'S BROADCAST (1st JULY, 1975)

I am going to speak to you today about some economic programmes which the Government proposes to follow. Some of them are new. Others were set forth earlier but require to be pursued with greater vigour and determination. Please do not expect magic remedies and dramatic results. There is only one magic which can remove poverty, and that is hard work sustained by clear vision, iron will and the strictest discipline. Each one of us in our place should determine to do more for our fellow citizens, not only for ourselves. There must be greater respect for State property. Its destruction will be visited by punitive fines. We also need to follow a far stricter code of austerity all around. Government has its duty to curb conspicuous consumption but citizens also have a responsibility. That is the only way to better the life of the nation.

The campaign of law-breaking, paralysing national activity and inciting our security forces to indiscipline and disobedience would have led to economic chaos and collapse, and our country would have become vulnerable to fissiparous tendencies and external danger. With the fumes of hatred having cleared somewhat, we can see our economic goals with greater clarity and urgency. The Emergency provides us a new opportunity to go ahead with our economic tasks.

The first and foremost challenge is on the price front. In the last five days, the prices of many articles have shown a downward trend. This trend will have to be maintained. To this end, Government will take a series of steps to stimulate production, speed up procurement and streamline

the distribution of essential commodities. Stay orders have prevented procurement of paddy in West Bengal and Orissa.

Our outlook in regard to Foreign Exchange resources is reasonably satisfactory. Therefore, where necessary, imports will be arranged so that supplies are sufficient. State Governments have already been asked to advise dealers to display lists of prices and statements of stocks. Hoarders and those who violate the rules will be severely punished.

This anti-inflation strategy has to be continued. Credit must be carefully regulated on a selective basis. Government departments and public enterprises have new orders to cut out inessential expenditure.

The vast majority of our people live in the rural areas. We must implement ceiling laws and distribute surplus land among the landless with redoubled zeal. We want the help of the local people in completing land records. Special care will be taken to ensure that tribal people are not deprived of their land.

The programme of providing house sites in rural areas will be vastly expanded. Laws will be introduced to confer ownership rights on landless labourers who have been in occupation of house sites of their landlords over a certain period. Resort to evictions will be sternly dealt with.

The practice of bonded labour is barbarous and will be abolished. All contracts or other arrangements under which services of such bonded labour are now secured will be declared illegal.

We propose to take action by stages to liquidate rural indebtedness. While new schemes will be drawn up to devise alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers who own less than two hectares, there will be a moratorium on suits and execution of decrees for the recovery of debts from such groups. Debts from co-operatives, commercial banks and governments will be excluded from this scheme.

Agricultural labour is among the worst exploited sections of our society. A review of the existing legislation on

minimum wages for agricultural labour will be undertaken and action will be initiated for suitable enhancement of minimum wages, wherever necessary.

We must go all out to increase production. Water and power hold the key to higher agricultural and industrial output. Steps are being taken to bring under irrigation at least 5 million more hectares of land. Proven underground water-resources will be immediately harnessed and further surveys taken up for irrigation and for the provision of drinking water, especially in drought-prone areas.

The power position has somewhat improved. Action is being taken to generate a further 2,600 megawatts. Adequate funds are being provided to implement power projects. For long-term needs, super-thermal stations under the Central Government are being planned. State Electricity Boards are being streamlined.

The handloom industry is next only to agriculture in the number of people employed. Supplies of inputs will be ensured to weavers at reasonable prices. A separate Development Commissioner for Handlooms is being appointed. The policy of reservation for handlooms is being rationalised to give greater protection to weavers.

In the mill sector, the controlled cloth scheme is being improved, so that dhotis, saris and cloth will be of better quality and are sold through a larger number of outlets in rural and urban areas.

Fortunes have been made out of urban land at the nation's expense. Speculation in land and the concentration of urban property have led to glaring inequalities and to a great deal of haphazard urban growth. Legislation is being initiated to impose ceilings on the ownership and possession of vacant land, to acquire excess land, to restrict the plinth area of new dwelling units and to socialise urban and urbanisable land.

Tax-evasion is a crime. A great deal of black money so evaded goes into luxury housing. Urban property is grossly under-valued. Special squads will be set up forthwith to

take up property valuation. Punishments will be stern. We are thinking of summary trials.

Our campaign against smugglers will be intensified. It was thwarted by their release on technical points. In some cases, they even got anticipatory bail. The properties of smugglers will be confiscated, whether held in their own name or *benami*.

Licensing procedures have come in the way of new investment, causing delay. These will be simplified. The investment limit of those industries which need no imports or governmental help will be raised.

At the same time, I must point out that licences are being misused. Import-export regulations are being amended. There will be speedy trials, and penalties for breaking rules will include the confiscation of goods.

Schemes for workers' participation in industries, particularly at the shop floor level, and production programmes will be introduced.

The movement of foodgrains, coal, steel and cement by railways has improved in the last few months. Constraints on the movement of goods by trucks will also be removed. For this purpose, we are introducing a system of national permits.

People with fixed incomes have suffered severe hardships in the last few years. They need immediate relief. The minimum exemption limit for income tax will be raised from Rs. 6,000 to Rs. 8,000.

Students from poor families face special difficulties if they pursue higher studies away from their homes. To help them, essential commodities will be supplied at controlled prices to all hostels and approved lodging houses.

Another important measure in the educational field will be to ensure that text books and stationery are available at reasonable prices to all school, college and university students. Prices will be strictly controlled and book banks established.

As one of the measures to increase employment opportunities for educated young people, the Apprenticeship Act will be suitably amended so that managements in the organised sectors of our economy take a larger number of apprentices for a specified period. Special care will be taken to ensure a fair deal to scheduled castes and tribes, minorities and handicapped persons in the recruitment of apprentices.

I have only briefly outlined various parts of the New Programme which will be taken up in the coming weeks. Other matters are being looked into and further measures will be announced from time to time. I have no doubt that together they will make a difference to the country's economic outlook. What is most urgent is that collectively we should shake off any sense of helplessness. The worst feature of the crisis which was building over the last few months was that it spread cynicism and sapped national self-confidence. There is a chance now to regain the nation's spirit of adventure. Let us get on with the job.

TWENTY-POINT PROGRAMME
(ANNOUNCED ON 1st JULY, 1975)

1. Continuance of steps to bring down prices of essential commodities Streamline production, procurement and distribution of essential commodities. Strict economy in Government expenditure
2. Implementation of agricultural land ceilings and speedier distribution of surplus land and compilation of land records.
3. Stepping up of provision of house sites for landless and weaker sections
4. Bonded labour, wherever it exists, will be declared illegal.
5. Plan for liquidation of rural indebtedness, legislation for moratorium on recovery of debt from landless labourers, small farmers and artisans.
6. Review of laws on minimum agricultural wages.
7. Five million more hectares to be brought under irrigation. National programme for use of underground water.
8. An accelerated power programme. Super thermal stations under Central control.
9. New Development Plan for development of handloom sector.
10. Improvement in quality and supply of people's cloth.
11. Socialisation of urban and urbanisable land. Ceiling on ownership and possession of vacant land and on plinth area of new dwelling units
12. Special squads for valuation of conspicuous consumption and prevention of tax evasion Summary trials and deterrent punishment of economic offenders
13. Special legislation for confiscation of smugglers' properties.
14. Liberalisation of investment procedures. Action against misuse of import licences.
15. New schemes for workers' participation in industry.
16. National permit scheme for road transport.
17. Income Tax relief to middle class; exemption limit placed at Rs. 8,000/-.
18. Essential commodities at controlled prices to students in hostels.
19. Books and stationery at controlled prices.
20. New apprenticeship scheme to enlarge employment and training, especially of weaker sections.

CONTRIBUTORS

1 DR B. V. SINGH
Professor of Economics, University of Lucknow.

2 DR. P. R BRAHMANANDA
Professor of Monetary Economics, University of Bombay.

3 DR. N A. MUJUMDAR
Director, Monetary Economics Division, Reserve Bank of India. Bombay.

4 DR. AVINASH SUKLIKAR
Deputy Chief, The Economic Times Research Bureau, Bombay

5 DR. G. S. KAMAT
Head, Department of Marketing Management and Co-operative Marketing, Vaikunth Mehta National Institute of Co-operative Management, Pune.

6 SHRI S. B DEODHAR
Member of Faculty, Tata Institute of Social Sciences, Bombay.

7 DR S. N. DUBEY
Professor of Social Work, St. Louis University, U.S.A.

8 MISS RATNA MURDIA
Research Officer, Tata Institute of Social Sciences, Bombay.

9 DR. G. D. SHARMA
Project Officer, Association of Indian Universities, New Delhi.

10 SHRI D. D. NAIK
Hon. Secretary, National Co-operative Housing Federation Ltd., Bombay.

11 SHRI B. M. PURANDARE
Journalist, The Times of India, Pune.

12 DR. S. D. PUNEKAR
Professor of Social Sciences, Tata Institute of Social Sciences, Bombay.

13 DR. V. M. RAO
Senior Fellow and Head, Rural Economics Division, Institute of Social and Economic Change, Bangalore.

14 SHRI M. A. CHIDAMBARAM
Managing Director, Agricultural Refinance and Development Corporation, Bombay.

15 SHRI R. P. AIYER
Chairman, Bombay Suburban Electric Supply Ltd., Bombay.

16 SHRI J C. SHAH
Chairman and Chief Executive, Atomic Power Authority, Bombay.

17 SHRI B. T ACHARYA
Director, Centre for Studies in Decentralised Industries, Vaikunthbhai Mehta Smarak Trust, Bombay

18 SHRI A D PURANIK
Reader, Vaikunth Mehta National Institute of Co-operative Management, Pune.

19 SHRI ARDHENDU BHATTACHARYA
Economist, City and Industrial Development Corporation of Maharashtra (CIDCO), and Bombay Metropolitan Region Development Authority, Bombay

20 SHRI M R. DESHPANDE
Joint Judge and Additional Sessions Judge, Nagpur.

21 SHRI V. RAMASWAMI IYER
Commissioner of Income-Tax, Bombay City-1.

22 PROF. M. A. GIDWANI
Professor-in-charge, Arts Faculty, Jai Hind College & Basantsingh Institute of Science, Bombay.

23 SHRI S. N. SASTRI
Competent Authority under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976, Bombay.

24 DR. M. V NAMJOSHI
Professor, Vaikunth Mehta National Institute of Co-operative Management, Pune.

25 DR. B. V. BHOOTA
President, Dorr-Oliver (India) Ltd., Bombay; Ex-Chairman EEPC and Past President AIMO.

26 SHRI K. MEENAKSHISUNDARAM
Executive Secretary, Bombay Goods Transport Association, Bombay.

27 SHRI HARNAM SHANKAR
Retired President, Income-Tax Appellate Tribunal, Bombay.

28 SHRI V. MAHADEVAN
Lecturer, Kishinchand Chellaram College, Bombay.

29 DR. (Mrs.) MADHURI R. SHAH
Vice-Chancellor, SNDT University, Bombay.

30 DR. L. K. DESHPANDE
Reader, Department of Economics, University of Bombay.

31 DR. A. C. SHAH
Assistant General Manager, Bank of Baroda, Bombay.

32 DR. D. N. PAI

Director, Family Planning and Maternal and Child Health, and Professor, Preventive and Social Medicine, G. S. Medical College, Bombay.

33 SHRI BAKHSHISH SINGH (IFS)

Assistant Silviculturist, Forest Research Institute, Dehra Dun.

34 SHRI V. V. KHOT (IFS)

Conservator of Forests, Thana Circle, Maharashtra.

35 SHRI G. K. GAOKAR

Social Education Officer, Bombay City Social Education Committee, Bombay.

36 SHRI JAYANT LAKHKAR

Joint Manager, Maharashtra Small-Scale Industries Development Corporation Ltd , Bombay.

37 MRS. PRATIBHA V. GOPUJKAR

Lecturer, Tata Institute of Social Sciences, Bombay.

38 SHRI S. D. CHOPDE

Past Principal, Lakshmibai National Institute of Physical Training, Gwalior.

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सत्यमेव जयते

PRIME MINISTER

FOREWORD

From the middle of 1972 to the middle of 1974 India experienced an acute economic crisis marked by an alarming increase in prices. There were several causes: international economic events that led to rise in the prices of food, fertilisers, oil, metals and machinery, the increase in domestic expenditure owing to the spending on refugees from Bangladesh and the war with Pakistan, and the severe drought which was responsible for a fall in agricultural production, power shortage and stagnation of industrial production.

The crisis also brought home to us the many weaknesses in our functioning in the shape of poor utilisation of capacity, obstacles to implementation and lack of efficiency. The magnitude of the crisis and of the hardships suffered by the people demanded action on a war-footing. In a speech in Bangalore in July 1974, I called for a determined national effort cutting across political difference and also announced a programme of action giving over-riding importance to the control of inflation. The steps taken by the Government had a salutary effect and prices started falling from the end of September 1974. But Government's efforts were hindered by the deliberate attempts of certain groups to disrupt the economy, spread apathy and cynicism, and bring about political paralysis. The declaration of the Emergency on June 25, 1975 met the political challenge and also gave a chance

to the nation to attend to the urgent and basic tasks of economic reconstruction. It was against this background that the 20-Point Economic Programme was announced on July 1, 1975. We encouraged the Youth Congress to adopt, as their programme for mass action, certain items which we considered important and which formed part of the Government's planning but had hitherto been somewhat neglected. That the people of the country were ready and eager to remove the obstacles blocking progress has been borne out by the overwhelming support they have given to these programmes. They have caught the imagination of the people.

I am glad that some important economists, social scientists and administrators have analysed different aspects of this peaceful economic revolution. I hope that this book will prove useful to teachers, students and the general public.

Indira Gandhi

(Indira Gandhi)

New Delhi,
December 8, 1976.

INTRODUCTION

The attainment of freedom on August 15, 1947, after a bitter and prolonged struggle against the British raj, was an unmixed blessing. Freedom no doubt is a joy for ever. It gives the right to the people to shape the destiny of their own motherland, without any direct or indirect intervention from outside. However, it was soon realised that along with the right came also the responsibility. The freedom we got was political in nature and it could not automatically solve the various economic and social problems which confronted the resurgent nation. The Second World War before Independence and the partition of the country at the time of Independence itself had completely shattered the economy of the country and created numerous economic problems like poverty and unemployment. India at the time of Independence was a country undeveloped, both economically and socially.

India's economic and social backwardness was marked by various "stigmas of under-development." The economic backwardness is evidenced by such factors as mass poverty, poor national income, low standard of living, inadequate utilisation of natural, human and capital resources, widespread unemployment and under-employment, stagnant industry, backward techniques in agriculture, over-dependence on primary industries, lack of development in transport and communications, inadequate irrigation and power facilities, absence of large-scale application of scientific and technological processes, poor credit facilities, comparatively narrow markets, low volume of trade and backwardness in

the level of economic performance. The social and cultural characteristics of under-development include: wide disparity between urban and rural standards, as well as between rich and poor, a large proportion of dependants to working population, high rates of illiteracy, fertility, morbidity, and mortality, low expectation of life, high birth and death rates, nutritional and dietary deficiencies, rudimentary hygiene and sanitation, poor social and welfare services, sub-standard housing, prevalence of child labour, general weakness or absence of the middle class, inferiority of woman's status and position and traditionally determined behaviour of the bulk of the people. The list of economic, social, demographic and cultural characteristics, it must be noted, is merely illustrative and not exhaustive.

A country is said to be under-developed because of the characteristics mentioned above. It is not a happy thing that our country should be characterised as under-developed or backward. Naturally, India's leaders took this as a challenge and decided to take the country on the path of economic and social development as rapidly as possible. The political freedom we achieved in 1947 could well be utilised to attain economic and social freedom. To give a concrete shape to this ideal, "we, the people of India," gave to ourselves a Constitution in 1950, to become a sovereign, democratic republic and to secure for all of us:

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and opportunity; and to promote

FRATERNITY, assuring the dignity of the individual and the unity of the Nation.

In the same year, the Planning Commission was set up and the First Five-Year Plan commenced from April 1, 1951. Since then, we have been in the planning process. The sailing, however, has not been smooth and we have had to face rough weather, particularly during the Third Plan period (1961-66), when we had a conflict with both our neighbours—with China in 1962 and with Pakistan in 1965. These political

and military conflicts put our planning into a disequilibrium, from which we have not yet completely recovered.

The Plans were formulated under the overall goal of a socialistic pattern of society. The immediate objectives (for the plan period of five years) varied from plan to plan but generally they included: rise in national income; rapid industrialisation with an emphasis on basic industries; more agricultural production for self-sufficiency in foodgrains, for supplying raw materials to industry and for exports; fuller utilisation of manpower resources and a large expansion in employment opportunities; reduction in inequalities of income and wealth; price stability; family planning; development of social services; removal of poverty and attainment of economic self-reliance. The basic factors of development were stated as: increase in production of goods and services; effective check on population growth; increased rate of investment (as proportion to the national income): and optimum utilisation of the limited resources, particularly in the fields of skilled manpower and finance. Some of the basic decisions underlying our plans include: magnitude of the plan, agricultural and rural development, rapid and balanced industrialisation, provision of minimum living standards during the developing economy, growth consistent with democracy, economic and regional equality, people's participation in framing and implementing the plans and development of the individual.

Thus the malady was correctly diagnosed, with its symptoms accurately mentioned, and the prescription for cure was given. Even then, the ailment persisted and got worse and worse, particularly since 1971. For example, the wholesale price index (1961-62=100) rose to 181.1 in 1970-71, 207.1 in 1972-73, 254.2 in 1973-74 and 313.0 in 1974-75. In 1971, the unemployed population was 9 million, while the under-employed (with less than 28 hours of work per week) numbered 27 million. The total population increased from 439 million in 1961 to 548 million in 1971—an increase of 24.8 per cent in ten years; whereas, strangely, the working population decreased from 188.7 million to 180.4 million

during the same period. Inflation was rampant, bringing misery and privations to the common man.

This gloomy atmosphere was further vitiated by industrial unrest. The number of mandays lost was 4.9 million in 1961; this loss increased to 16.55 million in 1971, 20 54 million in 1972, 20.63 million in 1973 and 40.26 million in 1974. The whole atmosphere was surcharged with noisy demonstrations, strikes, lock-outs, *gheraos* and such other coercive attitudes, mostly oriented by political interests. Economic and social development was thwarted by political interests, and progress became well-nigh impossible.

Two important decisions were taken in the middle of 1975 to clear the political atmosphere and to promote economic discipline. National emergency was declared by the President on June 25, 1975, under Clause (1) of Article 352 of the Constitution, to restore discipline, order and stability in this country. Within a week, on July 1, 1975, the Prime Minister announced the Twenty-Point Programme for Economic Discipline. This volume devotes itself to this Programme

The Programme itself is in fact a continuation of our Five-Year Plans and serves to focus attention on those elements in the Fifth Five-Year Plan which had "the twin objectives of increasing production and promoting social justice. The drive against economic offences and the general atmosphere of discipline and efficiency which the national emergency helped to foster led to a significant and all-round improvement in economic performance."[1]

It has been agreed on all hands that the Programme is dynamic in concept and, if properly implemented, will usher in an economic revolution. In fact, its favourable impact on inflation has already been noted. It is comprehensive in scope and covers a variety of fields from bonded labour to the weaker sections of the community such as landless labourers, rural artisans, small and marginal farmers, handloom weavers and students; at the same time, it has

1 The Prime Minister's address at the NDC meeting reproduced as a Foreword to the Fifth Five-Year Plan.

declared and conducted a ceaseless war against such anti-social elements as smugglers, tax-evaders, black-marketeers, moneylenders, landlords, big property-holders and racketeers in licences. The Programme has a two-fold objective: economic growth and social welfare. The article on the "Philosophy of the Programme" indicates this two-fold objective—explains the economic growth (industrial and agricultural development, infrastructure and mobilisation of resources) and welfare. Hence, with a proper implementation of the programme, it is possible to achieve economic development and the well-being of the people.

For the successful implementation of the Programme, the involvement of people is necessary, so that their initiative, energies and co-operation may serve as a constructive and creative instrument of the development process. In the beginning of the First Five-Year Plan, Shri Jawaharlal Nehru said:

> "It is not good enough often to sit in our offices and decide everything according to what we consider is the good of the people. I think the people themselves should be given the opportunity to think about it and thus they will affect our thinking as we affect their thinking. In this way, something much more integrated and living is produced, something in which there is a sense of intimate partnership—intimate partnership not in the doing of the job, but in the making of the job, in the thinking of the job".[2]

This is precisely what the present volume aims at—*to make people think* about the Prime Minister's Twenty-Point Programme, to make them comment on it, and persuade them to make suggestions for its proper and expeditious implementation. Towards this end, an analysis has been made of the implications and historical background of each of the twenty points of the Programme, its importance in the economic development of the nation, the progress of its implementation during the past fifteen

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2. *The New India—Progress Through Democracy* (1958), p 62.

months, and the further measures that may be initiated with a view to making it fully operative. In other words, the present volume places before the nation something which it has not had up till now—a proper perspective on the Twenty-Point Programme as it appears to some of the top men in their respective fields of economic activity, its immense economic sweep, and its vital importance in the life of the vast submerged sections of the community, for whose economic uplift it has been primarily formulated. It will, moreover, project before a foreign reader—a reader who is not familiar with the Indian economic scene—a clear picture of what the Programme is about, for whom it has been formulated, how it has been implemented and how it should be implemented. This is essential because there has been a great deal of misunderstanding abroad about the genesis and the necessity of the emergency and the measures that have been initiated to make our democracy real and meaningful.

For participation can be facilitated if the would-be participant has an adequate knowledge and the requisite attitude. Knowledge-Attitude-Participation (KAP) are the three stages in the successful implementation of a programme. An adequate and proper knowledge of it would convince the people of its beneficial aspects and create in them the necessary responsive attitude of co-operation.

In some cases, a point may refer to more than one topic. For example, Point No. 1 is primarily concerned with bringing down the prices; but this cannot be achieved unless a series of measures are initiated "to stimulate production, speed up procurement and streamline the distribution of essential commodities." Hence, for a proper discussion of Point No. 1, not only an article on "price administration and price stability" is essential, but also articles on "streamlining production" and "procurement and distribution" appear necessary. Secondly, the same topic may have different aspects; for example, minimum wages in agriculture may be dealt with from the point of view of a programme for minimum wages and also the implementation

of this programme. Thirdly, the same topic may be viewed from different angles; for example, action taken against socio-economic offenders like tax-evaders, smugglers and black-money operators may be studied both from the legal and socio-economic points of view.

In addition to the 20 points in the Programme, it was thought desirable to discuss additional six points in the form of short notes on (i) family planning; (ii) afforestation; (iii) dowry; (iv) caste barriers; (v) literacy; and (vi) national fitness.

The State Governments were requested to send us data on the implementation of the Programme during the year ending 30th June 1976. Almost all the State Governments acceded to our request and sent us the material available with them.

Special mention may be made here of the article on "The Role of Commercial Banks," which may serve as a good model for similar articles describing the roles, say, of insurance, working classes, teachers, students, administrators, etc. In fact, it is now desirable to examine the roles of various categories of people and of vocations in the implementation of the Programme.

This volume is a co-operative venture and hence the credit for its preparation goes to various individuals and institutions. We must thank the writers of the articles and the Central and State Governments and Union Territories which supplied the material relevant to the implementation of the Programme.

The Publishers, too, deserve special thanks for their imaginative and constructive approach and for having thought of bringing out, despite heart-breaking discouragements from many quarters, the first and most comprehensive volume on the Prime Minister's Twenty-Point Programme. In this task, the Tri Printers' contribution has been substantial, for they ran extra shifts to bring out this volume on time.

Editors

THE PHILOSOPHY OF TWENTY-POINT PROGRAMME

V. B. SINGH

I. Background

During the first half of 1975, strikes, lockouts, falling production and rising prices were the characteristics of the economic scene. *The Economic Survey,* 1974-75, summed up the situation in its opening sentence when it said that "it was a year of unprecedented economic strains in the history of Independent India." This was buttressed by political agitations, violence, organised threat to disobey the orders of the Government. The murder of Union Minister Shri L. N. Mishra and the attack on the life of the Chief Justice, Shri A. N. Ray, pointed to the direction in which politics was being pushed. Stagflation and political explosion had become Siamese twins. In his Address to the Governors' Conference[1], the President of India summarised the political events thus: "... When we met last year the political atmosphere in the country was surcharged with tension and uneasiness. I had my own forebodings about the trend of events. As you may recall, in my concluding address I gave expression to my concern over the growing 'attitude of agitation.' Such an attitude was not only threatening the healthy functioning of our democratic structure but was rapidly sapping the very fibre of our national life. I had mentioned then that when agitations overstep reasonable

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DR. V. B. SINGH is Professor of Economics, University of Lucknow. He is also a member of the Rajya Sabha.

Mainly extracts from a booklet written for the Publication Division, Ministry of Information and Broadcasting, Government of India, New Delhi, 1976, with additional matter.

1. March 19, 1976.

limits and reach a point where the stability and viability of the country is threatened, serious notice has to be taken. The Government cannot silently watch such a situation, for it has its responsibility to the people. I had mentioned in my address to the Parliament in February, 1975, that while the nation was straining every nerve to meet formidable challenges on the economic and social fronts, it was most regrettable that some groups were actively doing everything possible to weaken the will and determination of the people and to sap the cohesion and unity of purpose so necessary in the task of national reconstruction They claimed their objective was total revolution and the elimination of corruption, but in reality what they were attempting led directly to violence and disruption of the political and economic life of the country.... The politics of agitation continued unabated which had a paralysing effect on the country's economic life, diverting the nation's attention from its most important social and economic tasks and creating an atmosphere of lawlessness where neither the elected representatives of the people, nor the institutions through which the democratic processes secure their sustenance, were spared from direct attack. When, in the wake of open invitation to the police and the armed forces to revolt, these activities crossed all permissible democratic limits, appropriate action had to be taken in the last week of June, 1975."

Thus, it is clear that democracy was sought to be replaced by mobocracy, and therefore the President of India had no option but to declare Emergency on June 25, 1975, on the advice of the Government, under Article 352[2] of the

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2. "352. (1) If the President is satisfied that a grave emergency exists whereby the security of India or of any part of the territory thereof is threatened, whether by war or external aggression or internal disturbance, he may, by Proclamation, make a declaration to that effect.

   (2) A proclamation issued under clause (1)—

   (a) May be revoked by a subsequent Proclamation;

   (b) Shall be laid before each House of Parliament;

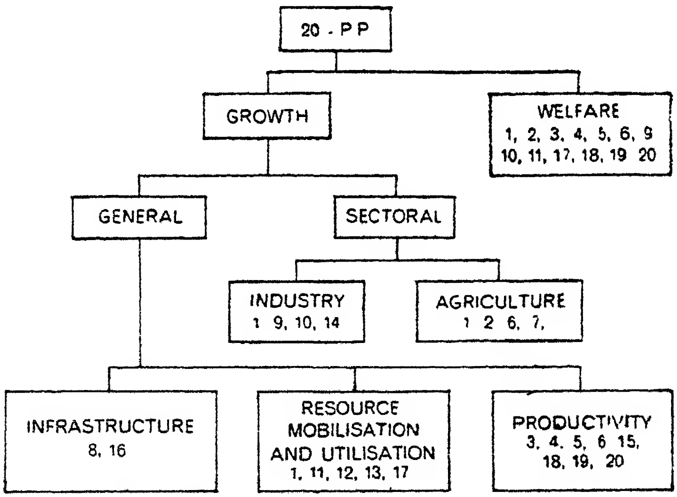
   (c) Shall cease to operate at the expiration of two months unless before the expiration of that period it has been approved by resolutions of both Houses of Parliament·

Constitution. This aimed at safeguarding internal political stability and security of the country. This emergency also came in handy to create a base for launching a programme to break economic stagnation. Therefore, soon after the declaration of Emergency, the Twenty-Point Programme was announced by the Prime Minister on July 1, 1975.[3]

II. An Analytical Framework

Figure I outlines an analytical framework in which we propose to discuss the Twenty-Point Programme (20-PP). It aims at breaking stagnation and generating growth and welfare. Growth is visualised through the strengthening of the infrastructure; mobilising and utilising resources and increasing productivity through various devices, including investment in human capital, and also through industrial and agricultural development.

FIGURE - I



Provided that if any such Proclamation is issued at a time when the House of the People has been dissolved or the dissolution of the House of the People takes place during the period of two months referred to in sub-clause (c), and if a resolution approving the Proclamation has been passed by the Council of States, but no resolution with respect to such Proclamation has

Let us analyse the theoretical implications of Figure I in the order in which the topics are mentioned—moving from left to right. *Growth* is conceived for generating social justice and raising the standards of living. Any magnitude of *welfare* (social justice) depends on the magnitude of the surplus that is diverted to this end. Therefore, the 20-PP envisages a higher rate of investment in critical sectors of the economy, and underscores the effective utilisation of investment as well as human potential. The various items of the 20-PP dealing with growth contain general as well as sectoral measures for accelerating the pace of development.

General points 8 and 16 deal respectively with the strengthening of the energy base and national transport system of the economy; with accelerating the programme of electrification (due to the inadequacy of which both agricultural and industrial production was adversely affected in the pre-emergency period) and strengthening the transport system so that it ceases to be a bottleneck in the effective enforcement of the distributive system and carriage of essential goods. Point 8 lays stress on the construction of super thermal power stations. It recognises the need for large power stations under Central control to meet the power requirements of any region; as also the experience that while hydel power is subject to natural fluctuations, thermal power remains unaffected. The national permit

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been passed by the House of the People before the expiration of that period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the Proclamation has been also passed by the House of the People.

(3) A Proclamation of Emergency declaring that the security of India or of any part of the territory thereof is threatened by war or by external aggression or by internal disturbance may be made before the actual occurrence of war or of any such aggression or disturbance if the President is satisfied that there is imminent danger thereof."

3. The full text of the Prime Minister's broadcast announcing this "Programme for Economic Discipline" is given at the beginning of this volume.

scheme for road transport would eliminate the harassment and leakages associated with the crossing of inter-State borders and would ensure quick transport of goods.

Resources mobilisation and utilisation form the basis of effective investment. Item 1 of the 20-PP, calling for strict economy in Government expenditure, not only curtails the wasteful expenditure of a general administrative nature but paves the way for making public undertakings commercially viable units. Public undertakings in India are not symbols of post-office socialism but are profit-yielding units so that the State has a command over substantial surpluses yielded by the economy Given the fact that public undertakings account for the bulk of investment in the industrial sector, this measure would surely push up the physical output and curb monetary tensions.

Item 11 calls for socialisation of urban and urbanisable land and ceiling on ownership and possession of vacant land and on the plinth area of new dwelling units. Obviously, these measures aim at creating a balance between the administration of social justice in urban and rural areas; curbing speculative tendencies in urban land investment; providing the basis for a rational use of scarce urban land; generating austerity in urban construction; and releasing scarce building materials for middle and working class housing schemes. By now, it is common knowledge that under item 12 the special squads to check conspicuous consumption and tax evasion have yielded to the Government quite substantial investible funds, which have given a fillip to productive employment. Deterrent punishment for socio-economic offenders has, on the one hand, increased the efficiency of the resources mobilisation drive and on the other emphasised the necessity of constitutional amendments so that the rich do not make use of legal loopholes in their quest for avenues of acquisitiveness and create a parallel economic system against national interest. Item 13 prescribes the confiscation of smugglers' property and is a positive disincentive to smuggling. The deterrent action taken against smuggling, before and during the emergency, has strengthened the rupee. Inward remittances

through banking channels have gone up sharply. Under item 17, income-tax reliefs for lower income brackets have already yielded higher revenue for the State, given some relief to the middle class and released administrative capacity for realising taxes from the higher income slabs.

Productivity is a lever to economic development as well as to social welfare. Abolition of slavery in the world is a milestone in the history of raising labour productivity. So is the abolition of serfdom. Whether slavery and serfdom have prevailed in India or not is not of interest so long as there are people, working in agriculture, whose opportunities of employment and mobility are restricted by economic dependence. The release of human productivity in agriculture will give a fillip to primary production. With such objectives in view, items 3 (provision for more house sites for landless and weaker sections), 4 (abolition of bonded labour wherever it exists), 5 (liquidation of debts of rural poor) and 6 (upward revision of agricultural minimum wages and extension of irrigation facilities) aim at raising labour productivity, agricultural production and employment in the rural sector. There can be no doubt at all that if the homeless gets a home, if bonded labour is free, if the indebted is debt-free and stagnant agricultural wages rise, a new incentive will be generated, a sense of belonging will grow and human energy will flow more abundantly and more purposefully. Item 15 demands schemes, viable and immediate, for workers' participation in industry so that production and productivity rise and there is a fundamental change in workers' morals and attitude towards industry, and they develop a sense of belonging, instead of alienation. With the rise in prices, the cost of education has gone up; this adversely affects the education of the children of the poorer strata of society. Education is an investment in human capital *via* the formation of skill and dexterity; therefore, items 18, 19 and 20 aim at lowering the cost of education and providing newer opportunities for training and employment to the weaker sections of society.

In the *industrial sector,* there have been many bottlenecks. Because of high prices of wage goods and raw mate-

rials, the cost of industrial production has been rising. Item 1 is aimed at creating a countervailing power. Apart from food, cloth is the most important item of consumption Mills have their own importance; but the handloom sector has given employment to millions of people, supplied cloth for consumption at home, and, through exports, earned foreign exchange. Modernisation of technology and choice of techniques have not blinded the Indian planners to the reality of the Indian scene; hence, the maintenance and development of cottage industries. While item 9 reinforces this economic logic, item 10 focuses attention on improvement in the quality and supply of people's cloth from various sources. The history of the two decades of Indian industrialisation underscores the fact that while levels of economic development have gone up, certain controls need to be relaxed and strict measures should be taken against misuse of industrial licences. For example, the *Report of the Industrial Licensing Policy Inquiry Committee* (1969) points out that pre-emptive licences have been taken to increase the power of big business houses which has resulted in concentration of wealth and has shackled rapid industrialisation—developments which are opposed to our national objectives. Therefore, item 14 prescribes liberalisation of investment procedures and action against misuse of import licences.

The state of *agriculture* determines the magnitude of accumulation and economic development. High agricultural prices raise the cost of industrial production and cost of living of the mass of people. Low agricultural prices hit the peasants—small, middle and big. Therefore, item 1 seeks to balance the two. For example, in 1976, procurement price was declared to be support price with a view to protecting the agriculturists against distress sales. So production, procurement and distribution serve national and not sectional interests. The demands of land hunger, rural employment, social justice and better utilisation of land necessitate that a ceiling be imposed on land holdings and surplus land shall be distributed among the landless. This

is not possible without the correction of land records. Item 2 covers all this. Restructured land ownership would lead to better and cheaper irrigation facilities and national efforts for the utilisation of underground water resources. This would generate higher production and employment of wage labour. This explains the relevance and importance of items 6 and 7.

As pointed out earlier, the Twenty-Point Programme covers both *growth* and *welfare*; therefore, the various items are of an over-lapping nature. Nothing has troubled the common man more than rising prices. Therefore, item 1 aims at curbing this rise, specially the rise in the prices of essential commodities, and stresses the need for streamlining production, procurement and distribution, which will provide relief to the mass of people. It endeavours to secure a minimum standard of living. Charity begins at home; hence, the emphasis on strict economy in Government expenditure to create the necessary climate for curbing luxurious private expenditure. Item 2 provides relief to millions of landless labourers, specially those coming from scheduled castes and scheduled tribes, and small and marginal farmers, who constitute the bulk of the rural poor. Item 3 provides for home sites for the homeless and is directed at affording relief to the aforesaid sections; and the abolition of bonded labour system removes a centuries-old stigma from the Indian social scene. While landlords in the thirties managed to have legislation to enable them to liquidate their debts, the moratorium on the recovery of debts from landless and marginal farmers had to wait until the incorporation of item 5 in the Twenty-Point Programme. This releases the weakest sections of rural society from the clutches of moneylenders and usurers, and gives to the rural poor a chance to achieve a decent standard of living, and save, if possible, out of their hard-earned wages or income. Where agricultural development has reached a new high, market forces themselves have kept the minimum agricultural wages above market rates. But such nodal points of growth are not universal. The agriculturally depressed

areas are fairly extensive. In these areas, the upward revision of minimum wages of agricultural workers is overdue. Item 6 introduces this reform The handloom provides employment to millions, most of whom come from the minority community and from rural areas. The rejuvenation of the handloom, therefore, not only has an economic dimension of employment and higher wages but also has the political and social dimension of drawing the minority community into the national mainstream for integration. Cheaper and better supply of cloth makes people happy. Long before the classical economists came on the scene, our forefathers praised the virtue of thrift The adage— "simple living and high thinking"—first grew on Indian soil. Against this background, item 11 curbs not only conspicuous consumption but also establishes a balance in the administration of social justice in rural and urban sectors. The raising of exemption level for income-tax relief to the middle classes (item 17) has already demonstrated its benign impact on the growing middle classes. Education is no longer a luxury. It is a precondition for employment in any worthwhile sector of the national economy. The lowering of the cost of education and the creation of more apprenticeships will enable the poorer sections of society to get newer and better opportunities for education and employment. Therefore, the last three items of the 20-PP help the poor by creating additional educational and employment opportunities and helping them to be mobile, both vertically and horizontally.

III. Fifth Five-Year Plan

The Fifth Five-Year Plan, in its final form, has identified the various constituents of the Twenty-Point Programme; and has accorded priority to the implementation of the schemes falling under it. The outlays of the Centre, States and Union Territories for the remaining years of the Fifth Plan (1977-1979) are as follows:[4]

4. Government of India, Planning Commission, *Fifth Five-Year Plan*: 1974-1979, New Delhi, 1976, p. 53.

Rupees in Crores

	1975-76 *anticipated*	1976-77 *approved outlay*	1977-79 *proposed outlay*	*Total*
	(1)	(2)	(3)	(4)
Centre	119 01	163 71	757.06	1,039 78
States and Union Territories	1 850 68	2,173 97	5,334 67	9,359 32
Total	1,969 69	2.337 68	6,091 73	10,399 10

Annexures 1 and 2, which are given at the end of this article, indicate the proposed outlays for 1977-79 in respect of different constituents of the Twenty-Point Programme.

IV. A Perspective

The first phase of the Twenty-Point Programme has been mainly of legislative action. As many as 113 Central Bills have received the assent of the President on or after the proclamation of emergency upto 28 April, 1976. This fact shows the magnitude of legislative action for constitutional, political and economic reforms. From the viewpoint of social change, the Twenty-PP is anti-foreign monopoly, as it generates self-reliance and growth; and anti-feudal, as it abolishes the remnants of feudalism and stresses the immediate implementation of radical land reforms and abolishes usury. It gives a boost to the public sector. It assumes that there are untapped potentialities in the private sector, which must be used for growth, if the Government gives certain incentives and concessions. But these now seem to be counter-productive. The unhelpful attitude of the private sector has compelled the Finance Minister of the Government of India, in his reply to the general debate in the Lok Sabha on the Finance Bill on 17 May 1976, to conclude: "The gluttonous tendency of the private sector to seek more and more concessions must be discouraged." Operationally, the rate of growth of the public sector is *much* higher than that of the private sector; and this has created serious imbalances between the supply of

capital goods and consumer goods. One hopes that sooner than later these distortions will be corrected. The crux of the implementation of the Twenty-Point Programme is the organisation of official and non-official resources into one united force. The Twenty-Point Programme is a plan of action for growth and welfare. There may be certain gaps between a scheme and its implementation. Let us take the example of land redistribution. There may be surplus land without allotment. Allotment may be on paper without possession. There may be possession without means of cultivation. Even if the means of cultivation have been supplied (through cash credit), proper use of it may not be made. Therefore, the declared policy of the Government is on implementation with popular support. The acid test of the success of the Twenty-Point Programme, in the words of Mahatma Gandhi, is:

> *"Whenever you are in doubt, or when the self becomes too much with you, apply the following test: Recall the face of the poorest, and the weakest man whom you may have seen, and ask yourself, if the step you contemplate is going to be any use to* him. *Will he gain anything by it? Will it restore him to a control over his own life and destiny? In other words, will it lead to Swaraj for the hungry and spiritually starving millions? Then you will find your doubts and self melting away."*

Annexure 1

PROPOSED PLAN ALLOCATIONS IN THE CENTRAL SECTOR UNDER THE TWENTY-POINT PROGRAMME 1977-1979

	Item	1977-79 *(Rs lakhs)*
1.	*Power*	
	(a) department of power	22,093
	(b) department of atomic energy	13,640
	(c) D V. C	7,562
2.	*V. S I (Handloom)*	3,000
3.	*Agriculture and Allied Programmes*	
	(a) agricultural credit	21,840
	(b) consumer co-operative	1,525
	(c) minor irrigation	1,800
4.	*Labour and Employment*	
	(a) apprenticeship training	46
5.	*Education*	
	(a) book banks	300
	(b) student aid fund	130
	(c) apprenticeship training under technical education	270
	Total	75,706

ANNEXURE 2

PROPOSED PLAN OUTLAYS FOR 1977-79 IN RESPECT OF TWENTY-POINT ECONOMIC PROGRAMME—STATES

STATE	Land reforms	Minor irrigation	Major and medium irrigation	Co-operation	Power	Handloom industry	Housesites for landless agricultural labour	Apprentice-ship training	Free supply of books & stationery and establishment of book banks	Total (Rs. lakhs)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Andhra Pradesh	101	1,150	18,265	1,100	26,358	252	210	6	15	47,457
2. Assam	231	1,400	1,726	638	4,540	141	52	4	60	8,792
3. Bihar	850	5,185	12,600	692	17,095	180	200	10	55	36,867
4. Gujarat	550	2,035	12,500	1,177	18,350	39	140	6	20	34,817
5. Haryana	32	200	9,111	546	9,696	67	28	3	2	19,685
6. Himachal Pradesh	93	412	400	140	1,930	32	—	3	30	3,040
7. Jammu & Kashmir	110	986	2,150	100	3,350	50	25	6	5	6,782
8. Karnataka	950	2,350	10,570	1,150	14,870	171	200	22	40	30,323
9. Kerala	1,325	775	4,110	375	5,359	165	340	16	60	12,525
10. Madhya Pradesh	410	4,043	12,928	1,158	29,984	97	300	12	130	49,062
11. Maharashtra	62	5,000	21,480*	1,150	43,495	191	130	80	90	74,678
12. Manipur	15	145	830	65	245	80	—	1	12	1,393
13. Meghalaya	25	135	10	105	724	22	—	1	15	1,037
14. Nagaland	43	110	—	63	230	7	—	1	7	461
15. Orissa	390	1,350	5,350	785	10,592	55	75	2	40	18,639
16. Punjab	—	1,400	3,440	866	16,292	5	75	6	3	22,087
17. Rajasthan	25	510	9,525	305	9,338	40	8	5	3	19,759
18. Sikkim	—	60	45	35	150	6	3	—	10	309
19. Tamil Nadu	N.A.	1,350	4,654	441	19,000	448	120	11	15	26,039
20. Tripura	45	212	10	69	385	38	12	1	7	779
21. Uttar Pradesh	1,500	5,500	21,704	1,660	48,159	915	240	15	300	79,993
22. West Bengal	1,150	2,900	4,000	800	22,154	187	195	11	170	31,567
Total—States	7,907	37,208	1,58,408	13,420	3,02,296	3,188	2,353	222	1,089	5,26,091

* The total outlay for Major and Medium Irrigation will be Rs. 28,480 lakhs, including Rs. 4,000 lakhs under the Employment Guarantee Scheme.

ANNEXURE 2—(*Contd.*)

UNION TERRITORIES

UNION TERRITORIES	Land reforms	Minor irrigation	Major and medium irrigation	Co-operation	Power	Handloom industry	Housesites for landless agricultural labour	Apprenticeship training	Free supply of books & stationery and establishment of book banks	Total (Rs. lakhs)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Andaman and Nicobar Islands	4	7	—	25	121	—	—	—	1	158
2. Arunachal Pradesh	N.A.	192	—	97	260	12	—	—	8	569
3. Chandigarh	—	17	—	7	229	—	—	1	3	257
4. Dadra and Nagar Haveli	14	28	182	6	41	—	—	—	1	272
5. Delhi	—	126	—	74	3,046	30	20	40	40	3,376
6. Goa, Daman and Diu	55	101	1,115	45	565	1	12	4	8	1,906
7. Lakshadweep	—	—	—	25	35	—	—	Neg.	—	60
8. Mizoram	N.A.	60	—	55	275	39	—	Neg.	8	437
9. Pondicherry	20	70	48	25	125	17	24	6	6	341
10. TOTAL—UNION TERRITORIES	93	601	1,345	359	4,697	99	56	51	75	7,376
11. GRAND TOTAL	8,000	37,809	1,59,753	13,779	3,06,993	3,287	2,409	273	1,164	5,33,467

N. A.—Not available.

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INFLATION-CONTAINMENT: HAVE WE TURNED THE CORNER?

P. R. BRAHMANANDA

Unlike most other policy objectives, containment of inflation is not a temporary objective of the Twenty-Point Programme, *i.e.*, an objective confined, say, to the years 1975-76 and 1976-77. Inflation-containment has to be a policy goal in each of the years in the future. The introduction of this important item in the Twenty-Point Programme is based on the assumption that, in the absence of such a policy-goal, the economy may drift into an inflationary situation. The potential tendency of our (or any) economy, left to itself, to drift into an inflationary situation must be recognised. For example, inflation was successfully contained over the period September 1974 to April 1976. Thereafter, the price level has been showing an upward tendency. The policy measures leading to inflation-containment got relaxed, and the consequence has been an upward drift in the level of prices. Having recognised the above tendency, the fiscal as well as monetary authorities are expected to keep a continuous vigil so that we do not get again into an inflationary state.

Since most of the policy objectives included in the Twenty-Point Programme have a reference to the well-being of the poor, who constitute the bulk of the community, the goal of inflation-containment also must have a reference to the promotion of the well-being of the poor. There are a number of ways in which inflation adversely affects the

DR. P. R. BRAHMANANDA is Professor of Monetary Economics, University of Bombay.

special economic status of the poor. The bulk of the poor in rural areas belong to the categories of agricultural labourers, small peasants, non-farm workers, etc., and, in urban areas, to the category of unorganised and casual labourers, and constitute the pool of the unemployed attempting to seek livelihood in some manner in towns and cities. It has been established that a sizable number of farmers—who produce either grain or other commodities and buy in the market goods which they do not produce—often supplement their consumption of grains with market-purchases. If the prices of farm-produce go up, it does not follow that *all* the producers are well-off Only those producers who market a substantial portion of their produce and do not depend on the market for subsistence are better off as a result of higher prices The rest of the rural community finds itself in great distress when inflation occurs, and continues.

The harmful consequences of inflation in urban areas are well known. A hundred per cent neutralisation of wages and other incomes, in the face of rising prices, is not obtained in regard to any category of workers. Whatever neutralisation is obtained, is gained after a time-lag. Thus, urban households find that inflation puts them in a worse-off state.

Inflation and Savings

These are some of the direct consequences of inflation. The indirect consequences are equally harmful. Inflation adversely affects household savings. A regression study carried out in the Bombay University by this author has led to the important conclusion that real savings, under Indian conditions, are negatively associated with prices. When prices go up, real savings go down. The Planning Commission in its document on the Fifth Plan has stated that, over the entire period of the 'sixties and thereafter, there has been no firm upward trend in the ratio of savings to income. Since this has been the period when inflation has been rampant, the inability of the saving ratio to go up can be well understood.

Workers also resent rising prices because the interest they get on provident fund is not appropriately adjusted, and further, the value of funds, when returned, would have declined in real terms.

A second major consequence of inflation is the distortion in the pattern of production which it brings about. Inflation leads to windfall incomes to those who own scarce goods, scarce land sites or other property. Large gains accrue to them. In order not to disclose the gains to the authorities, many of these parties often indulge in luxury consumption and off-the-counter transactions. Smuggling of luxury goods is encouraged and becomes a preferred asset. Thus inflation encourages non-productive consumption, creates a parallel economy through the black market and causes a drain on foreign exchange resources. Non-productive investment is also encouraged as a result. In a healthy developing economy, a particular portion of capital investment must be devoted each year to long-term purposes. Inflation distorts the time-profile of investments. It places a premium on the very short-run investment forms and on those types whose incomes are not conspicuous. It also encourages holding of produced assets and goods and discourages new investments and new production. The budgetary process of Government is also severely affected by inflation, because the cost of public enterprises and tax revenues do not go up in proportion to the rate of inflation. As a consequence, to keep the ratio of tax revenue to national income constant, Government is forced to levy additional taxes. Additional taxes affect only those who are ready to pay taxes; the rest go scot-free. There is a basic inequity in the tax-burden on individuals Those who are able to get away are not bothered by tax changes. Those who are honest have to bear the consequences of non-payment of taxes by those who escape. As a result, there is considerable social inequity and alienation, which are generated by inflation, and the process of growth is severely disrupted. These were the reasons which led to the new fiscal policy measures.

Wage-goods Supply

A question may be asked: why did we allow the inflation to continue? Why did we not contain it earlier? The answers to these questions are difficult. An attempt, however, is made below. For some time we went in for a growth model, which on the one hand economised on the growth of production of wage-goods—the necessities of the common man. We allowed the ratio of wage-goods to capital to go down very heavily On the other hand, we made the process of financing of investments dependent on a rate of credit expansion which was faster than that warranted by the growth rate of supplies of wage-goods. The money per unit of capital went up at a compound rate of 0.70 per cent per annum from 1950-51 to 1961-62 and at a rate of 6.25 per cent per annum from 1962-63 to 1973-74. For the period 1950-51 to 1973-74, money per unit of capital went up at a compound rate of 2.90 per cent per annum. But the ratio of wage-goods to capital went up at an annual rate of 0.10 per cent from 1950-51 to 1961-62 and *declined* at an annual rate of 3.46 per cent during the period 1962-63 to 1973-74. Over the entire period, this ratio shows a decline of 2.92 per cent per annum. This was the central reason why inflation was an endemic phenomenon in India. Only slowly has the realization been dawning on the authorities that inflation is the worst enemy of the poor and of development. Nevertheless, there was a certain hesitation on the part of those who were directly concerned with economic matters to take any bold measures. There were fears that growth would be adversely affected, that the Plan would collapse and so on. These proved to be imaginary fears. During 1975-76, when the price level fell, the growth rate was the highest in recent years. The saving to income ratio went up. There were fewer industrial disputes. The economic situation was peaceful. In fact, the Plan-size in real terms too went up.

Background to Anti-Inflation

Table 1 gives the compound rates (log-linear) at which supply categories and their components as well as money,

domestic credit, real capital, real investment, real savings and price level(s), etc. have grown over (a) 1950-51 to 1973-74, (b) 1950-51 to 1961-62 and (c) 1962-63 to 1973-74.

Table 1

GROWTH RATE IN SUPPLY, MONEY, INVESTMENT, PRICE LEVELS

(% Rates)

		1950-51 *to* 1973-74	1950-51 *to* 1961-62	1962-63 *to* 1973-74
1.	Net domestic product	3 56	3.76	3 22
2.	Real value-added in goods	3 01	3.42	2.72
3.	Index of industrial output	6.09	6.63	4.42
4.	Supply index of wage-goods of which	2 49	3.47	1 87
	Foodgrains	2.40	3.30	2 31
	Fruits and Vegetables	2.70	1.86	2.29
	Milk & milk products	0.60	1.50	0 18
	Fish, eggs & meat	3 38	3 61	3 16
	Sugar products	3.07	4.09	2 52
	Kerosene	5 81	7.61	3.92
	Cloth	2 53	4 67	1.00
	Edible oils	2 32	4 02	0.78
	Salt	3.64	3 16	3.56
5.	Per capita supply of wage-goods	0.04	1 52	—0 31
6.	Real capital stock	4.75	3.88	5.33
7	Population	2 08	1.95	2.18
8.	Net real investment	7.19	8.05	4.53
9.	Net real savings	5.16	8 58	2.59
10.	Money supply	7.52	4 50	10.11
11	Domestic credit	9 15	7.09	11 86
12.	Real Government expenditure	6.51	11.04	2 92
13.	Wholesale prices	4 74	1.29	7.18
14	Wage-goods prices	5.04	0.95	7.60
15.	Foodgrains prices	5 59	1.04	7.97
16.	Quantum of exports	2.57	1.09	3.37
17.	Price level of exports	2.95	—1.02	7.02
18.	Terms of Trade	1.06	1.52	0.83

The following conclusions can be drawn from the above table:

(1) There is a very poor relation between money supply, credit, real Government expenditure, real investment, etc., and output and supply categories.

(2) Growth of output and supply depends partly upon autonomous factors and partly upon the types and pattern of investment efforts.

(3) Mass consumption goods have grown at a slower rate than overall real output.

(4) A growth rate in credit and money in excess of growth rate in wage-goods supply leads inevitably to increases in price levels.

(5) Inflation and growth in real savings do not go together.

(6) High nominal rates of growth in money supply do not go with high growth rates in real Government expenditure.

(7) Inflation and export-growth in real terms do not go together.

The sad fact about the course of the Indian economy is that all along there has been an alternative school of economists who have pointed out at every stage that inflation, in the context of the pattern of investment adopted in India, cannot but lead to grave social injustice and weaken the sources of growth.

There was no clear empirical perception of the factors responsible for growth in saving and real income in India. The process of planned development was new for us. The domination of Keynesian economics was marked. Though we desired that we should not resort to heavy deficit financing, we were finding it difficult to adhere to this goal. There were difficulties in undertaking too large an effort in respect of mobilisation of resources through taxation. Data in regard to income-distribution and consumption-distribution were not available to us to enable us to realise to the full the harmful consequences of inflation. There was also a powerful lobby of organised industrial manufacturers continuously pressing for a fairly heavy expansion of credit.

Industrial firms, which could have ploughed back their own resources for further investment, tended to depend upon financial institutions. The ratio of savings to income started going down alarmingly, leading to widespread distress among the working classes. It was in these circumstances that a series of ordinances were issued, which collectively aimed at containing inflation and bringing down prices. In the initial stages, many were rather skeptical of any success in this respect. It was only in September 1974 that people began to realise to their utter surprise that prices had started falling In view of the persistence of inflation among a number of Western countries during the same period, one must indeed admire the timely courage of the Prime Minister who initiated the bold action that resulted in a fall in prices.

It is in this connection that the package of measures adopted by the Government during the period July 1974 to March 1975 has a profound significance. These measures had one *single* goal, that of containing and reversing inflation. They were a part of a connected and consistent scheme of thinking.

The Package

Among the measures the Government took are the following:

(1) Impounding wholly the increment in wages and fifty per cent of the neutralisation component in dearness allowance (D.A.) increases;

(2) Compulsory deposits of a portion of salaries;

(3) Increase in Bank rate;

(4) Reduction in Government-sponsored construction programmes;

(5) Reduction in tempo of Government expenditure;

(6) Slowing down of the tempo of private entrepreneurial outlays through Dividends Ordinance;

(7) Building buffer stocks through imports;

(8) Stiffer credit-allotments from the Reserve Bank of India;

(9) Measures against smuggling and foreign exchange leakages; and

(10) Additional tax measures.

These measures had a dramatic impact on our economy between September 1974 and March 1975. The money supply remained stationary during a number of months. Currency holdings declined or went down. The expectation of rising prices gave way to that of falling prices. Commodity-hoarding received discouragement. The economic measures taken were certainly helped by the bumper harvest of 1975-76. However, in view of the great international interest aroused by the precise way in which India was able to contain inflation during the period July 1974-April 1976, it may not be out of place to describe the mechanism. It may be noted that 1974-75 was *not* a bumper harvest year. Prices started falling from September 1974 and continued to register a more or less downward trend till April 1976. The effects of the bumper harvest of 1975-76 may be deemed to be potent only from December 1975 onwards, when the kharif crop of 1975 started coming into the market. We cannot, therefore, account for the falling trend in prices for the 13-month period—September 1974 to November 1975, when there was a decline of about 7 per cent in the index number of wholesale prices— by referring only to the bumper harvest of 1975-76. *Money supply increased during the above period by hardly* 0.7 *per cent.* This is the crucial factor. The impounding of 50 per cent additional dearness allowances, etc., curbed the expansion of money supply. By the end of July 1976, the impounded amounts were said to have risen to about Rs. 1,400 crores. In normal circumstances, Government would have borrowed more on the net from the Reserve Bank and the commercial sector too would have done so from the commercial banks. Normally, such expansion in money would have led to expansion of the currency component. Currency was actually declining for a good length of the period.

Decline in Monetary Growth

The decline in currency and in the growth-rate of money supply must be accounted for by the following factors:

(1) The terms of trade *declined* for agricultural producers, thus restraining the flow of purchasing power to the rural areas.

(2) The working classes had to draw upon their currency holdings to buy grains, etc., in the wake of the impounding ordinances. Since the Food Corporation was selling grain, currency was partly drained out of the public

(3) The strict measures against smuggling and foreign exchange leakage came later in 1974. The holders of currency could take some exchange out of the country by surrendering currency to the Reserve Bank of India.

(4) The fact that real wages of workers were reduced led to a reduction in the demand for some of the wage-goods

(5) It has now been mentioned that the Government had a budgetary *surplus* in 1975-76. This is a very important factor in the whole story.

Together, the above five factors explain why prices started falling in the Indian economy.

The bumper harvest of 1975-76 carried the declining trend further. But the budgetary process of 1976-77 seems to have had an inflationary impact; so also the policy of credit expansion during the busy season of 1975-76. This writer had predicted the return of inflation at the time of the Budget for 1976-77.

The Finance Minister, in his Budget for 1976-77, had steeply stepped up the Plan outlays. He had also provided for considerable deficit financing and for large-scale 'market' borrowings from the banking system. Besides, he had announced the repayment of the impounded amounts. Together the monetary expansion potential was growing at a rate of more than 10 per cent over 1975-76. The problems have been compounded in 1976-77 probably because of the

final decision of the authorities to repay a part of the impounded amounts.

The argument of the Reserve Bank of India (RBI) that the decline in money-supply was due to the drain of currency into the vaults of the authorities because of the loan from the International Monetary Fund and the internal sales of grains is not quite convincing. Taking the data over the years, the period did not witness any substantially greater sale of grains than in the earlier years. The loan from the Fund is not by itself a deflationary factor. The major causes for the downtrend in prices were due to the measures taken by the Prime Minister in July 1974 and thereafter Immobilisation of amounts with the RBI means reduction in the growth rate of money and of currency in particular The real effective demand for grains, etc., went down because of the reduction in real wages of the organised sector's employees and also because of the reduction in cash holdings of this group of workers.

An extraordinary factor during the July 1974 and April 1975 monetary process was the decline in absolute currency-holdings with the public. This may be accounted for by two factors: (1) The reduction in the relative share of wages of workers due to the impounding ordinance; and (2) the deterioration in the terms of trade of agricultural producers vis-a-vis industrial producers. These two factors reduced the absolute currency-holdings of the public. The late Hawtrey, the distinguished monetary economist of Britain, expounded the theory that the drain of currency into circulation was due to the relative growth in the income of wage-earners, etc. A decline in their relative share would lead to a reduction in currency-holdings. This phenomenon, termed as the "reverse-Hawtrey cash-drain," was occurring in India during the period referred to above.

Since inflation-containment has been stated as an important short-period goal in each of the years, the authorities may consider the placing of a ceiling on the annual growth rate in money supply of about 5 per cent to 6 per cent per annum. This is the best socialistic measure that

can be undertaken in the Indian economy and can be easily implemented. The Economists' Memorandum had suggested this ceiling. I am glad that no less a person than the Prime Minister herself has underscored the need to contain inflation. She *also has expressed the fear* that inflation may return.

Since other points in the Twenty-Point Programme depend so much upon price stability, it is necessary to give heed to the Prime Minister's warning.

Money and the Fifth Plan

In this connection, it would be worthwhile to examine the effects of the Fifth Plan on the behaviour of the price-level. Two years of this Plan are already over and the third year has run half of its course. Between the beginning of April 1974 and the end of the second week of September 1976, money supply had expanded by Rs. 2,850 crores or by about 26 per cent. It appears that for all practical purposes, the period from September 1974 to April 1976 has become a part of history. *In the Fifth Five-Year Plan, the Planning Commission has provided for an increase in money supply of about Rs.* 6,700 *crores or so.* [Increase in currency with households (Rs. 1,216 crores) plus the demand deposit component of the increase in deposits with households—about 45 per cent of Rs. 12,213 crores]. The Planning Commission's estimate for 1974-75 is at 1974-75 prices and for the period thereafter at 1975-76 prices. Since 1975-76 had a level of prices lower than that in 1974-75, the targeted extent of expansion may be larger than Rs. 6,700 crores; to this we have to add the increase in cash and demand deposit holdings of the commercial sector. *We have still to face the prospect of more than* 30 *per cent expansion in money supply over the next* 2½ *years or so.* Over the entire period of the Fifth Plan, money supply is expected to *expand by* 60 *per cent.* On the basis of past experience, the real national income may at best increase by about 18 per cent or so during the period of the Fifth Plan. Thus, the Fifth Five-Year Plan has a high content of inflationary potential. This may adversely affect the implementation of

the Twenty-Point Programme which has brought a considerable measure of satisfaction to the people, and which has been supported by a number of political parties as well. One would have expected, therefore, that in the final document of the Fifth Plan, the planners would have kept in mind the need for maintaining price stability. The control over inflation obtained during September 1974-March 1976 certainly keeps the resumption of planned outlays. But this should not be construed as an opportunity for initiating a second inflationary upsurge! To the extent that inflation-containment is a goal for every year, it is necessary that corrective steps must be taken at an earlier date to prevent the recurrence of inflation

Price-level Behaviour

A question may be raised at this stage whether maintenance of price stability will endanger the other goals of planning, such as the targeted growth rate of output, the planned ratio of tax revenue to national income, the ratio of savings to national income, the growth rate of exports, etc. It may also be queried whether, under Indian conditions, the price level is not determined by factors other than money supply. Does not the public distribution system have a decisive impact on the level of prices? It is possible now to give categorical answers to these questions on the basis of econometric tests of the different hypotheses with reference to the data available from 1950-51 to 1973-74. I may summarise here the main results of the findings of some of the above exercises.

(1) Money supply as well as aggregate supplies of wage-goods determine completely the level of prices in the Indian economy. As per the quantity theory, if we increase money supply, holding output constant, the price-level of wage-goods will tend to go up proportionately; if we hold money supply constant and increase the supply of wage-goods, the price-level will go down proportionately. These results are valid for exercises concerning original values transformed on logarithms. The results are partly modified when the logarithmic first-difference is taken into account. Here,

the money supply *is* dominant but the supply effect is not If we treat the first-difference results as pertaining to short-period phenomena, money has the dominant role in the short-period, but both money supply and wage-goods supply have a dominant role in the long period.

(2) The volume of real savings is negatively related to the level of wholesale prices or of wage-goods prices.

(3) The rate of interest, undeflated or deflated, is positively related to the quantity of money.

(4) Money wages do not have a statistically significant effect upon prices in general and industrial prices in particular.

(5) There is a stable multiplier of about 3 ruling between supplies of wage-goods and real national income. One hundred rupees worth of wage-goods generate about three hundred rupees worth of real national income By concentrating upon a faster rate of growth of wage-goods supply, the economy can obtain each year a higher growth rate in real income than now. The Keynesian multiplier relation between investment and real income is statistically insignificant.

(6) Public distribution not merely has no negative effect upon foodgrain prices but is associated with higher prices. The public distribution system, necessary for better distribution, has no price-dampening effect.

New Look Needed

These findings, which are based on some sophisticated econometric techniques, necessitate an entirely new look on the basis of economic policy-formulation in India. The Indian economy does not conform to the background conditions of developed first world or second world countries. The orthodox streams of neo-classical and neo-Keynesian theories and policies based on the above do not hold good in India. The stock of capital and the supply conditions of wage-goods determine, via the consumption-real-income multiplier, the scale of real income in each short period The quantity of money decided upon by the authorities

determines the price level. The volume of savings is governed by the interest and fiscal incentives to savers, the class distribution of incomes (*viz.*, between owners of property and enterprises, and households and wage-earners) and the state of, and expectations concerning, the price level. Given savings, there is no dearth of investment outlets. A reduction in population size and in its growth helps to augment savings. The growth rate of real income is governed by the proportion of savings to income, the portion of the above devoted to the expansion of the wage-goods sector, and the productivity-ratio in the latter sector. Both employment and real income can grow at a fast rate if the right sort of model is chosen for economic planning.

In the meantime, before we could consolidate the gains of the reversal of inflation, forces have been let loose to initiate an inflationary upsurge again. We must turn our attention to the sources of this malady and find out ways to overcome it. Like Sisyphus, we have to roll back anew the stone of inflation.

Rising Prices Again

As pointed out at the beginning of this Paper, containment of inflation is a continuing goal of economic policy, unlike most of the other points in the Twenty-Point Programme. The index of wholesale prices fell from 328 (1961-62 = 100) in September 1974 to 283 in March 1976—a fall by 45 points and about 14 per cent. However, since March 1976 (when it was 283), the index of wholesale prices rose to 313 by the end of November 1976—an increase by 30 points and about 10 per cent. As these lines are being written, the index of wholesale prices appears to be showing a continuous upward trend. Whereas the 14 per cent decline in prices occurred over a period of 18 months, the 10 per cent rise has occurred within a period of 9 months. At this rate, the extent of price rise over 1976-77 may well be above 14 per cent, thus wiping out completely the gains which accrued from the anti-inflationary policy pursued during the period July 1974 to March 1975. Since no sub-

stantial anti-inflationary measures of the sort adopted earlier are so far in the offing, it is necessary to highlight the dangers of getting up the inflationary path once again. The object of the following is to look into the causes of this "new" inflation and to outline a set of measures suited to the changed context.

The 'Second' Inflation

Let us term the inflation that we have been witnessing since March 1976 as the "second" inflation What has this second inflation been due to? As noted earlier, the fall in prices that was witnessed during September 1974 to June 1975 cannot be attributed to the beneficial impact of supply forces. It is well known that the agricultural year of 1974-75 was not one of bumper harvests. Since the package of anti-inflationary measures started appearing from July 1974 onwards and the falling tendency in prices became obvious in September 1974, one has to presume that there is a lag of at least 3-4 months before a full-fledged anti-inflationary policy tends to have a bite. The remarkable fact about the 1974-75 situation was that, even during the slack season of 1974, prices had started falling. Note, however, that the slack season of 1975 also witnessed a falling tendency in prices, largely due to the impact of the measures described earlier. The busy season of 1975-76 reflected the falling tendency almost to the end of the season, but, despite the bumper harvest, prices started rising from March 1976 onwards. The busy season trend of decline in prices did not continue over the whole period. We cannot say that the rise in prices that has taken place since 1976 is due to a relative scarcity in supplies This is certainly not true, for the overall supply situation in essential commodities has not worsened except in regard to edible oils. Obviously, the rising tendency in prices must be accounted for in terms of some other factors.

Just as the price decline during September 1974 to, say, June 1975 has to be attributed to wholly monetary factors, the price rise since March 1976 must also be attributed wholly to monetary factors. For example, between June

1974 and March 1975, money supply was just about constant. Note that during this period the currency supply had gone down; the bank rate had been moved up; a portion of the real incomes of the workers and salaried classes had been immobilized, thus keeping down the pressure of real demand for wage-goods. Government's real expenditure, too, had been kept in check. The economy expected a continuous restraint in money supply. On the other hand, whereas between June 1975 and March 1976 money supply increased only nominally, it has literally been galloping upwards thereafter. Between March 1976 and mid-November 1976, money supply showed an increase of more than 12 per cent. Since the busy season has just begun and pressures are mounting on the Authorities to liberalise credit and expand Government expenditure, there is every danger that the extent of expansion in money supply over the financial year 1976-77 may be between 14 per cent and 16 per cent. The agricultural year 1976-77 is not supposed to show an expansion in agricultural output over that in 1975-76; at best, there will be a marginal increase of 2 per cent to 3 per cent Though industrial output is expected to go up by about 10 per cent, the overall supplies of wage-goods, which are mostly contributed by agriculture, may not increase by more than 3 per cent to 4 per cent over the year. Thus the growth of money supply has been stepped up very much in excess of the growth rate in the supplies of wage-goods.

Two Reasons

According to the Authorities, there are two major reasons for the expansion in money supply: (1) a substantial expansion of bank credit to the commercial sector in the form of loans for purchases of foodgrains, and (2) an unexpected and substantial bounty of increase in the foreign exchange assets of the banking sector. The Authorities contend that, corresponding to the increase in monetary resources (increase in money supply + increase in time deposits), there are real assets in the form of (a) increase in stocks of grain with the public distribution system and (b) increase in the foreign exchange reserves of the

economy. Money supply has expanded partly as a counterpart of the above.

A number of questions in connection with the above explanations crop up. In the first place, there is no necessary and inviolable connection between expansion in foreign exchange assets and expansion in money supply, nor does it follow that increased disbursement of loans to finance stock-building in grains must necessarily imply expansion in money supply; nor is it obvious that, even granting the potential expansionary significance of the portions in respect of exchange remittances and grain purchases for stock-building, money supply should necessarily expand, for a substantial portion of the increase in monetary resources can be held in the form of increases in time deposits.

Exchange Remittances and Money Supply

It is possible for inward exchange remittances to be kept largely in the form of blocked deposits. In order to ensure that such measures do not imply stoppage of inward remittances, one may accord higher interest rates on such blocked accounts of private parties. Secondly, the Authorities have the power to offer selectively a higher conversion rate between exchange and rupees for those portions of remittances which are held in the form of blocked accounts; such blocking measures, however, need not be very rigid. It is surprising that these measures, which are so common in Western European countries, have not been thought of in India. In fact, it is time that some of them are tried out at an early date. Even assuming that these measures are not acceptable, why should not the Authorities offer higher rates of interest on time deposits so that potential resources, which will be kept in a monetary form, are transferred to a non-monetary form?

Case for Private Gold Imports

It may be mentioned here that the reason for inward remittances is due partly to the disappearance of the phenomenon of over-invoicing of imports and under-invoicing of

exports: partly it is also due to the stoppage of the inflow of gold and other goods into the country through smuggling. The easiest way by means of which the economy can retain the accretion in inward remittances, but at the same time erase the monetary effect thereof, would be to lift the ban on gold imports. Historically, gold imports have been a convenient way by means of which the Indian economy has utilised its export surplus with nil effects on the monetary process. In fact, India had made itself immune to the effects of international inflation by the propensity of its citizens (to the dismay of Western economists!), to use a portion of the export surplus for the imports of non-monetary gold. Along with some of the measures which have been outlined earlier, the Authorities may also experiment by lifting the ban on the imports of gold. In fact such imports can be arranged through nationalised banks, and we may further make it convenient, particularly for the rural sector of the economy, to obtain loans on collateral of gold. Thus we would have achieved two goals with the same measure: we would have insulated ourselves from the impact of international inflation and, secondly, we would have provided enormous opportunities for the expansion of rural banking operations.

Grain Stocks and Money

The other reason of monetary expansion is on the score that loans were necessary in order to finance stock purchases; but it is not obvious why such an order of expansion in loans should occur. For example, since money is homogeneous, we could have curtailed the extension of commercial credit to other purposes so that the monetary wherewithal with the sellers oi grain could have been made available through market channels to those parties that were denied a large access to banks. It is clear that the Authorities did not have an overall money supply target. They have simply allowed the expansion of money supply in the face of the two demands referred to above.

There is, moreover, some room for shifting the burden of financing the purchases of grains to parties other than

Government agencies. This step will become increasingly necessary in view of the dangerous inflationary precipice on which we are at present sitting.

Rupee Finance Vs. Savings

It has been suggested that the Authorities should expand loan-financed expenditure on a large scale in view of the large stocks of grain and the equally large foreign exchange reserves. Let us note that even on the present scale of Government expenditure, inflationary forces have gathered momentum *Scarcity in the Indian economy is not so much of rupee finance as of savings.* It is dangerous to identify monetary expansion with an expansion of rupee resources. The foreign exchange reserves of the Indian economy are not very large in relation to our developmental and crisis needs; nor are the stocks of grain very large from the same angle. It should be clear from the experience of 1956-57 that large accumulations can be decumulated at a very short notice. My submission is that the Authorities should not venture upon any large expansions of public investment or other schemes for running down the exchange reserves and grain stocks at the present phase of the Indian economy. The exchange reserves have given a measure of strength to the rupee At the same time, they have imparted confidence to the economy in times of any potential external threats. The grain stocks are the only cushion to the Government in times of any shortfall in grain production. Holding these two types of stocks at reasonable levels is a strict necessity from the angle of self-reliance and moral confidence. Any experimentation at this stage would jeopardise very severely the economic position of the vulnerable sections and increase their fear of uncertainty during normal times and actual uncertainty in times of crisis. Hence it is hoped that there would be a statutory ceiling of about 5 per cent or so on the average growth-rate in money supply over every successive period of 5 years. That is the best gift in terms of social justice and savings promotion that a poor economy can receive.

SUPPLY-DEMAND BALANCES, PRICE ADMINISTRATION AND PRICE STABILITY

N. A. MUJUMDAR

An outstanding achievement of the Indian economy in 1975-76 was the restoration of price stability, in the wake of the traumatic experience of an inflationary bout for two successive years. Wholesale prices witnessed a rise of about 23 per cent in each of the two years 1973-74 and 1974-75 —the highest rate of inflation recorded during any year since Independence. In sharp contrast to such unprecedented price rise, prices actually declined by 3.3 per cent in 1975-76. Such experience of price decline is rather unique in an environment in which inflationary forces have become almost universal. For instance, out of the 15 selected countries in respect of which data are set out in Appendix Table I, as many as 11 witnessed a rise in consumer prices of 7 per cent or more in 1975, and the available data for 1976 do not show any signs of abatement of inflation in those countries either. Another feature of the Indian experience is that such decline in prices came about without any *fundamental* change in the supply-demand balances, although there was undoubtedly some improvement in supplies. In other words, the ushering in of price stability cannot be *fully* explained in terms of supply-demand balances *alone*. It would, therefore, be rewarding to examine the various factors which made the restoration of price stability possible. The present article is an attempt

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DR. N A. MUJUMDAR is Director, Monetary Economics Division, Reserve Bank of India, Bombay.

The views expressed in this article are the personal views of the author and not those of the institution with which he is associated.

in this direction Such an analysis may also provide a guideline for a future price policy and administration.

Trends in Prices: 1975-76

To begin with, the main trends in prices may be briefly indicated. The General Index of Wholesale Prices (base year 1961-62=100), which reached an all-time high of 330.7 in the third week of September, 1974, began to decline steadily and consistently thereafter. The index actually dipped to its lowest level on March 20, 1976 at 282 3. In point of fact, the price level in mid-March, 1976, may be said to have slipped back to the level prevailing two years ago; for instance, the index had stood at 282.1 on March 2, 1974 This was indeed a remarkable feat!

Whether one compares the level of prices on a point-to-point basis or on the basis of monthly averages, the abiding trend in prices in 1975-76 was one of decline. For instance, between March-end 1975 and March-end 1976, the wholesale prices recorded a decline of 7.9 per cent (Table 1). This was in sharp contrast to the phenomenal rise of 13.6 per cent and 30.1 per cent witnessed during 1972-73 and 1973-74, and a moderate rise of 8 per cent in 1974-75. If one takes into account the monthly averages, during

Table 1

TRENDS IN THE INDEX NUMBER OF WHOLESALE PRICES
(Base 1961-62=100)

	Groups	*End-March* 1975	*End-March* 1976	*Percentage Change Over the Year*
I.	Food Articles	357.0	305.2	(—) 14.5
II	Liquor and Tobacco	311.1	312 1	(+) 0.3
III.	Fuel, Power, Light and Lubricants	324.4	366.8	(+) 13.1
IV	Industrial Raw Materials	286.7	241 9	(—) 15.7
V.	Chemicals	328.8	313.1	(—) 4.8
VI.	Machinery and Transport Equipment	264 6	260.6	(—) 1.5
VII.	Manufactures	252 3	253.9	(+) 0 6
All Commodities		307.1	282 9	(—) 7 9

1975-76 (April-March) prices recorded a decline of 3.3 per cent in contrast to a rise of 22.7 and 23.1 per cent in 1973-74 and 1974-75 respectively (Appendix Table II).

Taking the point-to-point comparison for convenience, it is clear that the decline in prices of 7.9 per cent during 1975-76 was brought about mainly by major agricultural commodities. This may be seen from the decline witnessed by the following groups (Table 1). Food Articles (14.5 per cent), Chemicals (4.8 per cent), Industrial Raw Materials (15.7 per cent), and Machinery and Transport Equipment (1.5 per cent): together these groups account for 62 per cent of the total weightage in the general index. On the other hand, the groups Liquor and Tobacco (0.3 per cent), Manufactures (0.6 per cent) and Fuel, Power, Light and Lubricants (13.1 per cent) showed a rise.

Factors Responsible for Containing Prices

Although the bumper crop of 1975-76, a year in which agricultural production rose by as much as 8 per cent, undoubtedly assisted in the decline in prices, the decline cannot be wholly ascribed to it. Basically, a sizable rise in agricultural production does not necessarily bring about a decline in prices: to take a more recent example, while agricultural production rose by 10.8 per cent in 1973-74, prices actually spurted by 22.7 per cent! Nor is it possible to argue that the rise in supplies in 1975-76 was of such magnitude as to create a psychology of surpluses. Far from it. This situation could be spelt out with reference to foodgrains, the production of which reached a new record of 118 million tonnes. Moreover, it should be remembered that imports of foodgrains were sizable at about 5 million and 7 million tonnes for two consecutive years—1974 and 1975 Yet, notwithstanding the sizable rise in both production and imports, the per capita availability of foodgrains in 1976 at 17.9 ounces per day was only marginally higher than the level of nearly 17 ounces way back in 1965. The point is that the foodgrains situation in 1975-76 could certainly be described as one of adequacy, but certainly *not* as one of surpluses.

A fuller explanation of the price fall in 1975-76 has, therefore, to be sought elsewhere. The decline in prices reflects the impact, besides the good crop, of monetary and fiscal discipline and of effective price administration designed, *inter alia,* to curb speculative hoarding. It may be recalled that since the middle of 1974, both fiscal and monetary policies were geared to demand management. The main ingredients of fiscal policy in 1974-75 were: mobilisation of a record level of resources through greater tax effort, discipline in expenditure and the consequent containment of the magnitude of deficit finance. Another set of measures were taken to mop up additional purchasing power: impounding of one-half additional dearness allowance and almost all of any other increase in wage/salary, ceiling on the amount of distributable profits and compulsory savings for tax-payers in the higher income brackets. This stance of fiscal policy was largely continued in 1975-76, as a net result of which it was possible to maintain the magnitude of budgetary deficits of the Centre at Rs. 721 crores (Accounts) in 1974-75 and Rs. 367 crores (Revised Estimates) in 1975-76 within safe limits. Although the size of the deficit in 1974-75 appears large, it should be pointed out that a sizable part of it was accounted for by a non-inflationary component, namely, the purchase by the Centre from the Reserve Bank foreign exchange accruing from International Monetary Fund drawals for the purpose of imports.[1]

In the sphere of monetary policy, an important step was the raising of the Bank Rate to 9 per cent in July, 1974, and the consequent levering up of the overall interest rate structure with the twin objectives of imparting an element of discipline in the use of credit on the one hand and assisting in the task of deposit mobilisation on the other. The other facets of the monetary policy included fairly restrictive Reserve Bank accommodation and implementation of credit guidelines designed to discourage speculative

1. For a detailed discussion of this point, see "Impact of Domestic and External Factors on Money Supply: The 1974-75 Experience", Reserve Bank Bulletin, June 1975.

holding of inventories. The effectiveness of the credit policy is evident from the fact that credit expansion[2] slowed down to 14 per cent in 1974-75 (July-June) as compared with the much higher rate of expansion of 23 per cent during the previous year. Although the expansion in 1975-76 at 28 per cent was double the expansion witnessed in 1974-75, it should be remembered that more than one-half of the incremental expansion in credit was accounted for by credit for food procurement and stocks. This was a result of the commercial banks' financing of foodgrains procurement and distribution. If food credit were isolated, credit expansion would have been much lower: for instance, the credit-deposit ratio, after excluding food credit, works out to less than 62 per cent at the end of June 1976 as compared to 65 per cent a year before.

The combined result of these restrictionary fiscal and monetary policies was reflected in the sudden slowing down of monetary expansion. In sharp contrast to an average annual rate of money supply expansion of 15 per cent during the three-year period from 1971-72 to 1973-74, money supply expansion in 1974-75 was only 6.5 per cent (Appendix Table III). In point of fact, the rate of expansion in 1974-75 was the lowest recorded in the previous twelve years. Such a sudden slowing down in money supply expansion had its lagged effect on prices in 1975-76. Of course, the pace of monetary expansion in 1975-76 at 9.6 per cent was faster, but this has to be viewed in the context of an increase in real national income of 5.5 per cent and also a sizable accretion of foreign exchange reserves. That is how, notwithstanding the higher rate of money supply expansion in 1975-76, it was possible to maintain a stable level of prices

Price Administration

The discussion so far of the experience of 1975-76 reveals that in the context of Indian economy, the supply-demand balances provide only a partial explanation of price behaviour. Another important factor is price administration.

2. The reference is to scheduled commercial banks.

It is generally common to equate price administration with mere administration of price control. But if price controls are to be really effective, it becomes necessary to widen the concept of price administration to encompass a whole range of measures designed to ensure adequate availability of essential commodities at equitable prices. Basically, the need for State intervention in the sphere of prices stems from the fact that in the so-called "free market", there exists considerable scope, at any rate in an economy like that of India, for distortions through speculative operations. There is enough empirical evidence to show that such distortions do take place in practice. Secondly, when prices are artificially inflated to levels unwarranted by supply-demand balances, the very concept of "effective demand" loses much of its relevance. In such circumstances, one naturally begins to question the basic postulates of price theory. Be that as it may, the responsibility for ensuring adequate supplies of at least essential commodities at reasonable prices devolves on the State Price administration in such a situation is visualised as the setting up of an alternative mechanism—alternative to market mechanism—whereby possible market distortions are prevented, on the one hand, and reasonable prices are ensured, on the other. This in turn involves, on the supply side, procurement of essential commodities, building up of buffer stocks, arrangements for imports if necessary, and storage of supplies at vantage points in the country. Simultaneously, the price authority should be in a position to detect, in advance, possible emergence of scarcity conditions and/or unusual price rises in respect of specific commodities in specific regions and take pre-emptive measures. The skill and expeditiousness with which the price authority is able to deploy available stocks with a view to preventing the emergence of scarcities constitutes an essential ingredient of price administration.

Although such an alternative mechanism is yet to develop in its full form, one could see the beginnings of it. For instance, speculative operations have been largely eliminated by the declaration of emergency in June,

1975 and also by a number of measures like the crackdown on economic offenders and blackmarketeers and curbs on the use of unaccounted money. This two-pronged approach of building stocks of foodgrains in the public sector of 14 to 15 million tonnes and of effective prevention of market malpractices has had a salutary impact on price expectations in general. Price administration, viewed in this broader context, not merely in terms of administration of price control, has thus been an important element in the restoration of price stability.

Recrudescence of Price Rise

The achievement of this remarkable feat of a decline in prices in 1975-76 is not the end of the story of the fight against inflation. The vulnerability of price stability as

Table 2
INDEX NUMBER OF WHOLESALE PRICES
(Base 1961-62 = 100)

	Weight	As on 20-3-1976	As on 26-6-1976	Percentage Variations
	1	2	3	4
All Commodities	1000	282.4	301 7	+ 6.8
Food Articles	413	303.9	331.0	+ 8.9
1. Rice	67	285.6	303.6	+ 6.3
2. Wheat	32	322.4	309.7	-- 4 0
3. Jowar	6	281.9	342.6	+21 5
4. Bajra	9	199.0	235.8	+18.5
5. Pulses	27	355.5	313.0	—12.0
6. Gur	24	345.0	495.0	+43.5
7. Edible Oils	54	233.7	271.3	+16.1
Liquor and Tobacco	25	320.2	323.1	+ 0.9
Fuel, Power, Light and Lubricants	21	367.6	369.0	+ 0.4
Industrial Raw Materials	121	240.2	297.2	+23 7
1. Cotton Raw	22	283.5	402 1	+41 8
2. Jute Raw	6	191.3	177.3	— 7.3
3. Groundnuts	25	213.6	292.0	+36.7
Chemicals	7	312.6	295.0	— 5.6
Machinery and Transport Equipment	79	260.5	259 0	— 0.6
Manufactures	294	254 0	258.0	+ 1.6

well as the need for continuous vigilance on the part of price administration was brought into focus by the recent price rise since about the middle of March 1976. Wholesale prices rose by 6.8 per cent between March 20 and June 26, 1976 (See Table 2).

Among the commodities which recorded substantial rises were: raw cotton (42 per cent); groundnut (37 per cent); jowar (22 per cent); and bajra (19 per cent). The bulk of the rise in prices during this period of about three and a half months was, however, concentrated in the month of June: for instance, during the three weeks between June 5 and June 26, 1976 prices rose by 3.3 per cent. One straightforward explanation for such a spurt in prices is that with the delayed monsoon in most parts of the country, price expectations underwent a dramatic change and speculative elements, which lay dormant, gained some ground.

Such an explanation holds true particularly in the case of sensitive commodities prone to speculation, like raw cotton and groundnut. To elaborate: trade estimates of cotton production in 1975-76 have varied widely from 65 lakh bales to as much as 77 lakh bales. What is really important is that even on the basis of the lowest estimate, the supply of cotton in 1975-76 should be adequate, though carry-over stock at the end of the 1975-76 season would be lower than the stocks at the end of 1974-75. Similar is the case of oilseeds. According to trade estimates, the production of five major oilseeds at 10.6 million tonnes was higher than the Annual Plan target. The output of groundnuts in particular at 6.6 million tonnes showed a phenomenal rise of 32 per cent over the previous year's level. In other words, in both these cases, the supply-demand balance certainly did not deteriorate. The obvious conclusion is that the extent of the rise in prices, mentioned above, was not warranted by the supply-demand balance.

What is relevant for the present purpose, however, is that the price behaviour during March-June, 1976 provided yet another illustration of how factors, other than the supply-demand balance, play an important role in influencing prices.

The Summing Up

The main purpose of this brief article is to examine the factors which rendered possible the restoration of price stability in 1975-76, after an interregnum of the inflationary bout. The article also seeks to find out whether any lessons for the future price policy could be derived from this experience. In a world in which inflationary forces have become almost universal, an actual decline in prices in India in 1975-76 was indeed remarkable. While it is generally recognised that the bumper crop of 1975-76 set the tone for price stability, the contribution of other factors is not adequately appreciated. On the one hand, supplies were sought to be augmented, besides higher production, through higher imports; on the other, both monetary and fiscal policies were geared, right from the middle of 1974, to demand management. The effectiveness with which restrictionary fiscal and monetary policies were implemented was reflected in the sudden slowing down of monetary expansion in 1974-75 itself. This slower rate of expansion in money supply, in turn, had its lagged impact on prices in 1975-76.

Yet another important factor was price administration. In the Indian economy there is always scope for introducing distortions in the operation of the free market, and therefore the supply-demand balances *alone* do not determine the trend in prices. The declaration of emergency in June, 1975, and a whole range of measures taken to curb speculative hoarding and use of unaccounted money have largely eliminated such distorting forces. Effective price administration thus contributed in no small measure to the restoration of price stability.

The success story of the control of inflation, however, does not end here. The recrudescence of the price rise since mid-March to June, 1976, once again brought to the fore the vulnerability of price stability. The experience of price-rise during this period, at any rate in respect of sensitive commodities, provided further proof that price variations

in Indian economy cannot be explained in terms of supply-demand balances *alone*.

The March-June price rise reiterates the need for further strengthening the core of price administration—a concept which transcends the mere administration of price controls. One can visualise two distinct arms of price administration. The first concerns the supply side which covers procurement of essential commodities, including purely price support operations, building up of buffer stocks, storing them at vantage points in the country to facilitate prompt deployment and so on. The second arm relates to price intelligence: to detect signs of emerging scarcities in respect of specific commodities in different parts of the country and to communicate the information to the Central Authority to enable it to promptly deploy the specific commodity in the specific region before prices begin to rise. No doubt considerable experience in respect of the first aspect has already been acquired in regard to food-grains. Perhaps its scope needs to be widened to cover other essential commodities like pulses and edible oil. More important is the transmission mechanism in respect of the second aspect which needs to be sophisticated. It must be realised that in the Indian context, the very size of the country dictates that it is not enough to ensure the supply-demand balance of a commodity at the *macro* or aggregate level: such balance has also to be established at the *micro* or regional/State/district level. The ingenuity and promptness with which available supplies are deployed in the country would thus be an additional factor determining the price behaviour.

Finally, the wide range of measures adopted for containing the inflation of 1972-73 and 1973-74 also provides some insight into the operational efficacy of the available instrument variables in the kit of anti-inflationary policies.

Appendix Table I

CONSUMER PRICES IN SELECTED COUNTRIES

Countries	*Twelve-month rates of change to* 1973 December	1974 December	1975 December	1976 latest month
	(In percentage)			
Austria	7.8	9.7	6.8	7.7*
Belgium	7.3	15.7	11.0	9.7*
Canada	9 1	12.3	9.5	8.9*
Denmark	12.6	15.5	4.3	8.9*
Finland	14.1	16.9	18.1	16.7†
France	8.5	15.2	9.6	9.6†
Germany	7.8	5.9	5.4	5.2*
Italy	12.5	24.5	11.2	13.9†
Japan	19.1	21.9	7.6	9.3*
Netherlands	8.2	10.9	9.1	9.8*
Spain	14.2	17.9	14.1	16.2*
Sweden	7 5	11.6	8.9	11.1†
Switzerland	11.9	7.6	3.4	2.2*
United Kingdom	10.6	19.2	24.9	18.9*
United States	8 8	12.2	7.0	6.1*

* April, 1976. † March, 1976.

Source: B.I.S. Annual Report, 1976.

Appendix Table II

MONTHLY AVERAGES OF INDEX NUMBERS OF WHOLESALE PRICES IN INDIA
ALL COMMODITIES

(Base: 1961-62 = 100)

Financial Year	*Monthly Average Index*
1947-48	64.8
1948-49	79.0 (+ 21.9)
1949-50	81.0 (+ 2.5)
1950-51	86.1 (+ 6.3)
1951-52	91.4 (+ 6.2)
1952-53	79.9 (− 12.6)
1953-54	83.6 (+ 4.6)
1954-55	77.9 (− 6.8)
1955-56	73.9 (− 5.1)
1956-57	84.2 (+ 13.9)
1957-58	86.7 (+ 3.0)
1958-59	90.2 (+ 4.0)
1959-60	93.6 (+ 3.8)
1960-61	99.8 (+ 6.6)
1961-62	100.0 (+ 0.2)
1962-63	103.8 (+ 3.8)
1963-64	110.2 (+ 6.2)
1964-65	122.3 (+ 11.0)
1965-66	131.6 (+ 7.6)
1966-67	149.9 (+ 13.9)
1967-68	167.3 (+ 11.6)
1968-69	165.4 (− 1.1)
1969-70	171.6 (+ 3.7)
1970-71	181.1 (+ 5.5)
1971-72	188.4 (+ 4.0)
1972-73	207.1 (+ 9.9)
1973-74	254.2 (+ 22.7)
1974-75	313.0 (+ 23.1)
1975-76	302.7 (− 3.3)

Note: Figures in brackets indicate percentage increase/decrease over the previous year.

Appendix Table III

MONEY SUPPLY WITH THE PUBLIC

Outstandings as at the end of March	*Amount in Rupees (Crores)*	*Percentage Variations over the Year*
1951	1976	
1952	1812	− 8.3
1953	1764	− 2.7
1954	1828	+ 3 6
1955	1955	+ 6.9
1956	2217	+ 13.4
1957	2342	+ 5 6
1958	2413	+ 3.0
1959	2526	+ 4.7
1960	2720	+ 7.7
1961	2869	+ 5.5
1962	3046	+ 6 2
1963	3310	+ 8.7
1964	3752	+ 13.4
1965	4080	+ 8.7
1966	4529	+ 11.0
1967	4950	+ 9.3
1968	5350	+ 8.1
1969	5779	+ 8.0
1970	6387	+ 10.5
1971	7140	+ 11.8
1972	8138	+ 14.0
1973	9413	+ 15.7
1974	10848	+ 15.2
1975	11557	+ 6.5
1976	12668	+ 9 6

20 1

STREAMLINING PRODUCTION FOR HOLDING PRICE LINE

AVINASH SUKLIKAR

In a developing country like India, where the needs of development and the needs of consumption often conflict, there is an urgent need for streamlining the process of production in such a way as to stabilise prices as also to promote economic growth. This streamlining of the production process, apart from removing impediments, includes measures to create a congenial atmosphere with a view to ensuring optimum utilisation of existing capacities as well as creating an additional production potential in the required fields. The urgent need to eradicate poverty calls for a concerted drive to increase the output of selected consumer goods, especially those goods which represent the needs of the lower-income groups. The production process of these essential consumer goods, including agricultural commodities, has to be so devised as to keep pace with the rising demand year after year. The entire policy structure regarding investment, taxation, price controls, credit policy, etc., has also to be oriented in favour of increasing the production of essential consumer goods.

Stability of prices, however, is not an end in itself; it is a means to assure the vulnerable sections of society of the minimum necessities of life—food, clothing and shelter. In a market economy, increase in production by itself does not lead to proper distribution. There is always a need to streamline the production, procurement and distribution of

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DR. AVINASH SUKLIKAR is Deputy Chief, The Economic Times Research Bureau, Bombay.

essential commodities, mainly with a view to lifting up the 40 per cent of the population living below the poverty line. Furthermore, economic planning enjoins upon the Government the responsibility of making available sufficient purchasing power in the hands of the poor so that they can benefit by the facilities made available to them. Otherwise, it may lead to a paradoxical situation in which, despite the availability of essential goods, the poor may not be in a position to avail of them for want of sufficient purchasing power. Schemes, therefore, have to be devised to provide gainful employment both in the rural and urban areas. Implementation of such other programmes as the liquidation of indebtedness, abolition of bonded labour, provision of house sites for landless labourers and minimum agricultural wages, and the development of the handloom sector, etc., would go a long way in creating additional employment and put the necessary purchasing power in the hands of the people, especially of the vulnerable section in rural areas. The liberalisation of licensing procedures for new investments in the industrial sector will also create extra job opportunities.

Important Factors

However, one thing needs to be emphasised; and that is that providing new jobs and taking other measures to raise money incomes without increasing output would inevitably lead to a rise in prices. The prime need at any period of time is to step up the availability of essential goods of consumption; once this has been ensured, further measures for development would yield real results.

The most important factor in the process of economic development is undoubtedly the maintenance of a continuous growth rate of production, both in the agricultural and industrial sectors. To maintain the growth rate of production of essential wage-goods, it is necessary to create an atmosphere in which this objective would be achieved. Streamlining of the production process, apart from removing the existing impediments, includes measures to create a congenial atmosphere for ensuring optimum utilisation of

existing capacities and generating additional production potential in the required fields.

Improvement

Since the announcement of the Twenty-Point Programme, production has improved substantially. Thanks to a normal monsoon last year, the country reaped a record harvest of foodgrains of the order of 118 million tonnes, recording an increase of 18 per cent over the previous year's level (see Table 1). A good monsoon was no doubt a fortuitous circumstance, but the streamlining of the production process in agriculture, by way of timely availability of important agricultural inputs, greatly helped to increase the output of foodgrains. In the current year also, the output of foodgrains is expected to be of the same, or slightly higher, order.

Table 1
PRODUCTION OF FOODGRAINS
(Million tonnes)

1960-61	82.33
1965-66	72.35
1970-71	108.42
1971-72	105.17
1972-73	97.03
1973-74	104.66
1974-75	101.06
1975-76	118 00
1976-77*	118.00

* Estimate

On the industrial front, too, according to provisional figures, the growth rate of production during 1975-76 (April-January) was 5.7 per cent as against only 2.5 per cent during 1974-75. There was a substantial acceleration of the rate of growth of industrial production since the second quarter of 1975-76—that is, during the 7 months since July 1975; this increase was nearly 6 per cent as against 0.7 per cent during April-June 1975. A number of crucial industries—saleable steel, coal, electricity, non-ferrous

metals, fertilizers and cement—registered substantial gains in output during 1975-76. Consumer items such as sugar, vanaspati, soaps, scooters and razor blades also recorded a significant rise. In the current year (1976-77), too, industrial production so far has been on the upswing, registering an increase of around 10 per cent to 13 per cent (see Table 2). All these growth rates after July 1975 bear testimony to the importance of streamlining the production process. The following paragraphs discuss the various aspects of this process. As this study is mainly concerned with streamlining production, its necessary counterpart relating to proper distribution has not been considered in its entirety.* However, a passing reference may be made here to the distribution aspect in order to bring out the importance of increasing the quantum of production.

Table 2
INDEX NUMBER OF INDUSTRIAL PRODUCTION
(*Base* 1970 = 100)

1971	104.2
1972	110 2 (5.8)
1973	111.8 (1.5)
1974	114.3 (2.2)
1975	118.8 (3 9)
1975 (Jan.—July)	117.1
1976 (Jan.—July)	131 3 (12.1)

Note: Figures in brackets denote percentage change over corresponding previous period.

According to the comparative weightage given to items in the construction of the consumer price index for the working class, about 66 per cent weightage is given to food articles. That means, out of the total expenditure of an average industrial worker, about 66 per cent is spent on food. This percentage is even higher in the case of agricultural workers, including artisans and other small

* For a full discussion see "Procurement and Distribution to Contain Prices."

cultivators. Among food items, cereals and pulses account for the bulk of consumption items. The average per capita per day availability of foodgrains in India in 1975 was 415 grams; to maintain this level, the country had to import foodgrains. The per capita per day availability of foodgrains has been declining from 1965 onwards; it was at its highest at 480 grams in 1965. This level could be reached because of large imports of foodgrains, especially under PL-480 from the United States. Despite the rise in foodgrains production, the per capita per day availability declined to 415 grams in 1975, mainly because of the fact that the rate of population growth outstripped the growth-rate of foodgrains production. The wide fluctuations in agricultural output, which in India is at the mercy of the rains, were also responsible for lowering the per capita per day availability.

According to estimates prepared by futurologists, the population of India by the end of the century (*i.e.*, 2001 A.D.) is estimated between 960 million and 1,030 million. Visualising the growth in per capita income and the pattern of demand, it is probable that the per capita per day consumption would be 500 grams of foodgrains. According to this level, and assuming the population of the country at 1,030 million, the total demand or requirement of foodgrains by the end of the century would be around 190 million tonnes, or gross foodgrains production of about 220 million tonnes. It is thus obvious that not only with a view to holding the price line in the short run, but also to assuring adequate supplies of foodgrains in the future, it is absolutely essential to streamline production activity in right earnest. This also holds true of the demand for other essential industrial goods—agro-based or otherwise—like edible oils, vanaspati, sugar, cotton cloth, man-made fibres, tea, coffee, electricity, cement, etc. There is a natural increasing tendency for the demand of these goods, as is evident from their per capita per year availability. The availability of edible oils increased from 2.5 kgs in 1955-56 to 3.2 kgs in 1974-75; of sugar, from 5 kgs to 5.8 kgs; of man-made fabrics, from 1.2 metres to 1.4 metres; of tea, from 257

grams to 435 grams; and of electricity, from 2.4 kWh to 8.6 kWh (for domestic consumption). During the same period, availability of vanaspati dropped from 0.7 kgs to 0.6 kgs, and that of cotton cloth from 14.4 metres to 12.9 metres. The per capita availability of coffee was more or less the same.

Compared to international standards of per capita per day consumption of some of the essential items, the average level of consumption in India has been much lower. The average per capita consumption of cereals in 1972-73, for example, was 384 grams against 565 grams in Egypt, 428 grams in the USSR, 419 grams in Burma, 387 grams in China, 385 grams in Sri Lanka, 369 grams in Kenya, 362 grams in Iran, and 352 grams in Japan. In developed countries like the UK, the USA, Japan, Germany, France, etc., the per capita consumption of cereals is much less, partly because of their food habits and partly because of the higher consumption of other food items like sugar, milk, meat. eggs, etc. The per capita per day consumption of milk in India at 116 grams was much less compared to 723 grams in Sweden, 689 grams in the USA, 630 grams in France, 619 grams in Canada, 592 grams in the UK, 567 grams in Germany and 476 grams in the USSR. The average consumption of fats and oils in India at 10 grams per capita per day also compares poorly with 74 grams in West Germany, 73 grams in France, 66 grams in the USA, 62 grams in the UK, 59 grams in Italy, 56 grams in Sweden, 51 grams in Canada, and 33 grams in the USSR. The consumption of sugar in India at 49 grams per capita per day was also much less than 140 grams in the USA, 136 grams in the UK, 136 grams in Canada, 128 grams in Brazil, 109 grams in Mexico and 106 grams in the USSR. The overall effect of the levels of consumption in terms of calories means that against 1,990 caloric intake per capita per day in India, the caloric intake in the USA is 3,300, 3270 in France, 3,200 in Canada, 3,180 in the USSR, 3,170 in the UK, 3,160 in Australia, 2,820 in Brazil, 2,770 in Egypt, 2,620 in Mexico, 2,050 in China and 2,010 in Burma. These comparisons roughly indicate the probable volume of demand

for such commodities in India which, because of restraints of availability, cannot be fulfilled.

Motivation for Growth

Before turning to the physical aspects of production like critical inputs in agriculture and industry, development of power and transport, availability of adequate credit, etc., it is essential to go into the main motivating process of economic growth. The nation starts on its journey at a particular level of development and sets targets of development before itself. In order to achieve them, all the available resources are pooled together and systematically allocated to pre-determined economic activities in the order of priorities. Thus, the First Five-Year Plan laid emphasis on increasing agricultural production, while the Second and Third Plans gave weightage to rapid industrialisation, especially heavy and capital goods industries. Though necessary in the interest of rapid growth and self-sufficiency, this strategy had its effect on reducing the availability of essential wage-goods. Such a situation naturally tilted the supply-demand balance, resulting in continuously rising prices.

In recent years, the rise in prices has been sharper since 1972-73, in which year the general index of wholesale prices recorded an increase of about 10 per cent; the increase in the price level of agricultural commodities was more or less at about the same level. In 1973-74, however, though the general price level shot up to around 23 per cent, the hike in the prices of agricultural commodities was still higher at 28 per cent. In 1974-75, prices advanced further, the rate of rise in prices being around 23 per cent; agricultural commodity prices during the year, however, increased by 25 per cent. In 1975-76, the price situation improved substantially, and there was a time when prices even declined due to the success of the various measures Government had taken to streamline the behaviour of prices. Under Indian conditions, prices of agricultural goods, especially foodgrains and food articles like edible oil, sugar, etc., set the trend for the general price level (see Table 3).

Table 3
INDEX NUMBERS OF WHOLESALE PRICES
(*Base* 1961-62 = 100)

Year	*All Commodities*	*Agricultural Commodities*
1970-71	181.1	201.0
1971-72	188.4 (4.0)	199 6 (—0.7)
1972-73	207.1 (9.9)	219.7 (10 1)
1973-74	254 2 (22.7)	280.6 (27 7)
1974-75	313.0 (23 1)	351 2 (25.2)
1975-76	302.7 (—3.3)	311 4 (—11.3)

Note: Figures in brackets denote percentage change over the previous year.

Agricultural Strategy

Having established the correlation between the availability of essential goods and their prices, it is necessary to look into the streamlining aspects in the production process. Let us take agriculture first, since agricultural production constitutes a major portion of the basket of essential goods. About 80 per cent of the cultivation in India depends upon seasonal rains. Moreover, agriculture is still largely practised by the age-old plough-and-bullock method. It is only recently, and that too in a very small proportion, that agriculture has been modernised. Except in Punjab and Haryana, where irrigation is very high (75 per cent and 47 per cent of the net cultivated area in the States respectively), mechanisation is a novelty. In Punjab and Haryana, which effected a green revolution in the last decade, mechanisation and modernisation of agriculture is practised in a big way. It clearly shows that for modernisation and mechanisation of agriculture, irrigation is one of the important inputs.

In India, the area potentially irrigable is estimated at 107 million hectares against the net sown area of about 136 million hectares in 1970-71. Of this ultimate potential for irrigation, 72 milion hectares (comprising of 57 million

hectares through major and medium projects and 15 million hectares through minor irrigation) comprise of surface water and 35 million hectares are estimated to be the groundwater reservoirs. During the last two decades, the area under irrigation increased from about 20 million hectares to 32 million hectares. If the pace of irrigation continues to be the same as it was during the last two decades, it might take more than 150 years to exploit completely the country's irrigation potential. However, it is a fact that India has been endowed with natural water resources which, if properly exploited, would give a tremendous boost to the process of streamlining agricultural production. The Fifth Five-Year Plan envisages the creation of an irrigation potential of 27.6 million hectares through major and medium irrigation schemes, accounting for 48.1 per cent of the estimated total irrigation potential of about 57 million hectares. Benefits from minor irrigation works (both surface and groundwater) by the end of the Fifth Plan, *i.e.*, 1978-79, are expected to aggregate to about 30 million hectares. The total irrigation potential thus expected to be exploited by the end of the Fifth Plan would account for nearly 54 per cent of the total irrigable potential of the country. However, in view of the wide gulf between Plan and performance, it is doubtful whether this high target is capable of attainment. The NCST (National Council of Science and Technology) panel on Futurology has estimated that the total irrigated land—which, by 1992, would be around 50 million hectares—may well reach the 60 million mark at the end of the century. Since the net sown area by then would be around 180 million hectares, the total irrigated area by the end of the century would be about 33 per cent of the net sown area against 21.5 per cent at present.

Fertilizers

Another important input in the process of streamlining agricultural production is the availability of chemical fertilizers. Organic fertilizers, such as compost, also play an important role in increasing production. Efforts in that

direction have already been made, as Indian farmers are quite used to organic fertilizers. Though chemical fertilizers have shown their capacity to increase production substantially, their use at present is mainly limited to the production of cash crops like surgacane, grapes, etc. Chemical fertilizers are widely used in the production of foodgrains in the highly irrigated States of Punjab and Haryana, while in Tamil Nadu, Andhra Pradesh, and in Jammu & Kashmir, they are used to some extent.

Comparatively, the fertilizer consumption in India is extremely low at about 16 kgs per hectare of cropped area. In Japan, it is as high as 150 kgs. Out of the total consumption of approximately 2.8 million tonnes in terms of nutrients (N, P_2O_5 and K_2O), production within the country in 1973-74 was around 1.4 million tonnes It may be stated here that we produce only nitrogenous and phosphatic fertilizers. In 1973-74, about 50 per cent of the consumption of chemical fertilizers was met through imports. According to the Planning Commission, the consumption of chemical fertilizers by 1985-86 would be around 20 million tonnes. Against this consumption demand, production in the country by 1985-86 would be 9 million tonnes; the rest, *i.e.*, about 11 million tonnes, would have to be imported. The increase in the consumption to 20 million tonnes would more than double the per hectare consumption of chemical fertilizers. According to the NCST panel on Futurology, fertilizer consumption per hectare by 1988 would reach 50 kgs, and if the tempo of this consumption continues and there are no technological impediments, the estimated per hectare consumption by the end of the century may well be around 100 kgs. This development will have a major impact on Indian agriculture, especially on the production of foodgrains. Added to this, attempts would also have to be made to use natural manures like cow-dung, human excreta, etc. (Here, it is assumed that there will be a change in the habits of rural population in that, instead of using cow-dung as fuel, they will use it for gobar gas plants and later for manure.)

Other inputs, which figure prominently in the process of streamlining agricultural production, are improved seeds and mechanisation of agriculture. The research and development activity in agriculture has picked up a brisk pace of late. The high-yielding varieties of wheat and the dwarf Japanese variety of rice were tried. While the high-yielding variety produced a green revolution, the dwarf Japanese variety did not suit the Indian soil or, possibly, the Indian farmer could not adopt the technique involved in the plantation and transplantation of saplings and the doses of fertilizers required. Thus, the streamlining of the production process was limited only to wheat; and here, also, the saturation point seems to have been reached. The production of wheat in the country, which reached its maximum of about 26.5 million tonnes in 1971-72, declined in subsequent years, only to exceed that figure slightly in 1975-76. The production of rice was more or less stagnant during the period from 1968-69 to 1974-75. It increased in 1975-76 mainly because of an exceptionally fine spread of monsoon. The much talked of green revolution in the late 'sixties and early 'seventies seems to have slowed down considerably, as it related mostly to wheat. Further research in this matter is necessary. As stated earlier, production of rice at present mostly depends on the rains and fluctuations in rainfall cause fluctuations in the output. Thus, during the years from 1970-71 onwards, the output of rice declined from about 43 million tonnes in 1971-72 to 39 million tonnes in 1972-73. In regard to crops grown on rain water, *i.e.*, dry cropping, and especially in the case of rice, there is an urgent need for evolving new techniques of cropping in rain-fed areas.

Structural Changes

There are other aspects which, though not directly concerned with the inputs, are nevertheless very important because they facilitate the production process. One of these is the credit needs of the farmers. According to the All-India Rural Credit Review Committee, commonly known as the Venkatapaiah Committee, barely 20 per cent of the

credit needs of the farmers were met in 1966-67 by such institutional agencies as primary co-operative credit societies and the banks. There has been some improvement since, and at present about 33 per cent of the rural credit needs are met by institutional agencies Scheduled banks have come very recently on the rural scene. As such, a major portion of the institutional credit needs of the farmers are met by the co-operative agricultural system, which is now quite rooted in the agricultural production process, for it is over 40 years old. Due to the peculiar pattern of land-holdings in India, the benefits of co-operative credit have yet to reach the small farmers. The big farmers who have benefited from it have mostly utilised it for cash crops. The land-holding pattern in the country is such that about 1/3rd of the cultivator households hold 2/3rds of the total cultivated area, while the majority of the 2/3rds cultivator households hold only 1/3rd of the cultivated area. With minor differences, this pattern prevails in all the States. Despite land laws enacted in the early and late 'fifties all over the country, this unequal distribution of land-holdings still persists in rural areas; and this structural pattern of land-holdings needs to be changed if the benefits of technology and credit are to reach the small farmers. There is a definite need for an economic holding below which land should not be fragmented. Otherwise, it would tell upon the output. The structural aspects are thus as important as the inputs in land.

Industry

Agriculture, however, is not the only sector of the economy which needs to be streamlined. Industry, too, needs streamlining. In the special circumstances, a meaningful strategy had to be evolved before a self-sustaining growth programme could be successfully launched. This strategy was outlined in the Industrial Policy Resolution of 1948, which aimed at comprehensive planning and a balanced growth of the economy in which both the private and public sectors would play their respective important roles. This Industrial Policy Resolution, which

was reiterated in 1956, empowered the State to assume direct responsibility for the future development of industries over a wider area. Huge steel plants were set up in the public sector, power generation was undertaken as a crash programme, fertilizer production was stepped up, and a wide network of infrastructure was created, including the expansion of rail and road transport and of irrigation potential. These objectives were progressively realised through the implementation of successive Five-Year Plans.

As a result, large and medium industries today dominate and form the backbone of the industrial economy of the country. According to the Annual Survey of Industries, about 80 per cent of the output in the factory sector is accounted for by large and medium industries. However, this does not take into account the production of widespread unregistered small-scale units, which are mostly in the nature of ancillaries to large-scale industries. In some cases, these units have sprung up as independent manufacturers of certain products of a rather sophisticated nature.

There is no denying the fact that the growth of small-scale industries should be permitted in such a way that they become complementary to the large-scale industries sector and provide consumer goods to inland markets. In order to curb inflationary tendencies, to have a decentralised growth of employment-oriented industries with low capital employment co-efficients, mainly in the small-scale industries sector, the Fifth Plan has put the accent on consumer goods industries. The entire strategy of economic planning has thus aimed at a balanced growth. Priorities were drawn up to increase supplies during each Plan period, and the investment package was tailored to the principle of balanced growth. In view of the widespread unemployment in the country, it is imperative to harmonise the objective of expanding production with fairly large-scale employment. The co-existence of large-scale and small-scale industries, including agro-based industries, therefore, becomes a logical necessity in our country.

The process of industrialisation in India over the last two decades has been quite varied and diversified. Because there has been a motivated definte shift in favour of basic and capital goods industries—*viz.*, those engaged in the manufacture of electric goods, light and power, iron and steel, basic industrial chemicals, non-ferrous metals, fertilizers, cement, etc.—the production of agro-based industries like textiles, food preparations, sugar, rubber products, tobacco manufactures, vanaspati, edible oils, etc., has suffered considerably. Large and medium factories today dominate the structure of Indian industries, while the small-scale sector plays a comparatively minor role Over the years, the public sector has grown in size, controlling more than 50 per cent of the productive capital in large industries, though contributing only 17 per cent of the gross output. In the public sector undertakings of the Central Government, investment was of the order of Rs. 7,500 crores by the end of March 1976.

Recent Trends

Latest figures show that production of saleable steel by integrated plants during 1975-76 amounted to 5.8 million tonnes, showing an increase of nearly 18 per cent over the previous year. Capacity utilisation in the main plants showed a considerable improvement. Production of all types of non-ferrous metals picked up substantially. Aluminium went up to an estimated 1.87 lakh tonnes in 1975-76, registering a rise of 47 per cent; blister copper moved up to a production of 24,000 tonnes, which was higher by nearly 51 per cent over the previous year. (The significant development here was the commissioning of the Khetri Copper Smelter towards the end of 1974.) The production of nitrogenous fertilizers during 1975-76 was of the order of 15.25 lakh tonnes, showing a rise of nearly 28 per cent. Phosphatic fertilizers, however, registered a decline of 2 per cent at 3.20 lakh tonnes. Cement, on the other hand, reached a record output of 17.2 million tonnes, showing a rise of 17 per cent. The production of industrial machinery, too, showed an increase during 1975-76. Among the major

chemicals, production of soda ash, caustic soda, liquid chlorine and calcium carbide showed increases ranging from 6 per cent to 12 per cent. There was also an increase in the output of synthetic fibres and of commercial vehicles—about 44,000—showing an increase of about 7 per cent.

Among consumer items, the production of cotton cloth in the mill sector during 1975-76 amounted to 4,074 million metres and cotton yarn to 1,006 million kgs. The production of sugar during the year (October 1974-September 1975) amounted to 48 lakh tonnes, recording an increase of 21 per cent over the previous year; at 37 lakh tonnes during the current year up to March 1976, it was, more or less, at the same level as during the corresponding period last year. Production of vanaspati amounted to 4.9 lakh tonnes, showing a rise of nearly 38 per cent. Other essential items like soaps, baby foods, footwear, scooter tyres and razor blades also recorded a significant rise in production.

However, in some other sectors like cotton textiles, plastics, certain consumer durables and certain construction-related industries, production showed sluggish trends during 1975-76. On current reckoning, prospects for industrial growth for 1976-77 have considerably improved in comparison with the growth in the last two years. The pick-up in industrial production was mainly due to the sense of discipline which has been brought about by the declaration of emergency. This is evident also in the performance of the public sector undertakings during 1975-76 as measured by the criterion of capacity utilisation, particularly in the steel plants, which showed an improvement over the previous year. This capacity utilisation in terms of output of steel ingots in the different steel plants is given in Table 4.

The increased capacity utilisation in 1975-76 is mainly due to improved availability of essential inputs, a marked improvement in industrial relations, greater discipline among workers, and closer co-operation between labour and management at shop floor level and in production pro-

Table 4
CAPACITY UTILISATION—STEEL INGOTS
(In Percentage)

	1974-75	1975-76
Bhilai	80.0	88.4
Durgapur	51.2	62 6
Rourkela	59.2	71.1
TISCO	86.1	89.4
IISCO	53.2	63 0

grammes. It has further improved during 1976-77, as is evident from the performance during July 1975 to June 1976 (see Table 5). This table also shows the improved performance of such other public sector undertakings as Hindustan Zinc, Hind Copper, Coal India, National Minerals Development Corporation, Fertilizer Corporation (FCI), Indian Drugs and Pharmaceuticals, Hindustan Machine Tools, Bharat Heavy Electricals, and Hindustan Photo Films Manufacturing Co. Coal India Ltd. improved its capacity utilisation from 97 per cent in 1974-75 to 103 per cent in the period from July 1975 to June 1976. Similarly, NMDC improved from 97 per cent to 130 per cent. The different factories under the FCI have shown a marked improvement in their capacity utilisation during the period. This has stimulated and encouraged confidence in the working of the economy, for these undertakings manufacture such basic industrial goods as steel, fertilizers, coal, machine tools, electricity generation, etc.

The private sector, too, if judged by the criterion of capacity utilisation, has improved its image in 1975-76 over the previous year (see Table 6). The aluminium industry improved its capacity utilisation from 60 per cent in 1974-75 to 74 per cent in 1975-76, while cement showed an improvement from 71 per cent to 82 per cent. Nitrogenous fertilizers improved from 60 per cent to 76 per cent. Other goods like soap and leather footwear also showed a distinct improvement in their respective capacity utilisation.

The all-round improvement in the production of industrial goods—basic as also some consumer goods—spotlights

Table 5

CAPACITY UTILISATION IN SELECTED PUBLIC SECTOR UNITS

Sl. No.	*Name of Enterprise and Units*	*Product*	*Capacity Utilisation* 1974-75	*Capacity Utilisation* *July '75 to June '76 (Provisional)*
1.	Steel Authority of India.			
	Bhilai	Steel Ingot	80%	91%
	Durgapur	Steel Ingot	51%	64%
	Rourkela	Steel Ingot	59%	76%
	ASP, Durgapur	Steel	78%	108%
2.	Hindustan Zinc Ltd.			
	Zawar Mines	Ore	98%	124%
	Tundu	Lead	114%	145%
3.	Hindustan Copper Ltd.			
	Ghatsila	Blister Copper	51%	98%
4	Coal India Ltd	Coal	97%	103%
5.	National Minerals Development Corporation Ltd.			
	Bailadilla 14	Iron Ore	97%	130%
6.	Fertilizer Corporation of India.			
	Sindri	Ammonium Sulphate	56%	58%
	Nangal	C.A.N.	51%	103%
	Trombay	Urea	64%	93%
7.	Indian Drugs & Pharmaceuticals Ltd.			
	Rishikesh	Antibiotics	46%	68%
8.	Hindustan Machine Tools Ltd.			
	Unit I to V	Machine Tools	45%	52%
	Watch Factory	Watches	85%	117%
9.	Bharat Heavy Electricals Ltd.			
	Bhopal	Value of Production	87%	111%
	Hardwar	"	53%	77%
	Hyderabad	"	72%	119%
	Tiruchy	"	104%	128%
10.	Hindustan Photofilms Manufacturing Co. Ltd.			
	Ooty	Films	77%	130%

a pertinent fact, that the public and private sectors in our economy are complementary to each other. The main aim of both the sectors is to improve capacity utilisation and step up production. It is only in this way that national objectives can be achieved and a sense of co-operation come about between the two sectors It is really gratifying to note that the real spirit of the Industrial Policy Resolution has at last been brought into practice.

Table 6

CAPACITY UTILISATION IN SELECTED INDUSTRIES

		Capacity utilisation	
Sl. No	*Product*	1974-75	1975-76 (*Provisional*)
1	2	3	4
1.	Aluminium	60 %	74 %
2.	Lead	76 %	94 %
3.	Cement	71 %	82 %
4.	Machine Tools	77.1%	81 %
5.	Tractors	67.6%	72 %
6.	Nitrogen and Fertilizer	60 %	76 %
7.	Synthetic Rubber	63 %	77 %
8.	Soap	98.5%	119 %
9.	Leather Footwear	49.6%	66.4%

Targets of growth rates have been fixed in every successive Five-Year Plan. Yet the share of the industry in the GDP of the country, which was about 15 per cent in 1948-49, increased only to about 23 per cent in 1974-75—a figure which compares quite favourably with similar performance in other developing countries, but is quite disappointing when we compare it with the achievement of developed countries. Nevertheless, India has taken massive strides in developing technologies and diversifying her industrial structure. For example, we now manufacture many items which were largely imported a decade ago—items like machinery (both electrical and non-electrical), fertilizers and non-ferrous metals. We have also achieved self-sufficiency in many areas of industrial activity and no longer depend on imports.

Lopsided Growth

However, there is the other side of the picture as well. Industrial development in the country has been lopsided in two ways. In the first place, there has been an over-emphasis on investments in capital and basic goods industries, as a result of which the consumer goods industry has suffered; for even though the production of essential goods increased in absolute terms, their percentage share in the total industrial output has successively declined. For example, the share of textiles in the total industrial output, which was 27 per cent in 1959, declined to 18 per cent in 1970, and that of sugar from 5.4 per cent to 4.9 per cent. Similarly, though the production of essential items like edible oils, vanaspati etc., went up in absolute terms, it declined in their percentages to total output. To some extent, the decline in the percentages of agro-based industries is inevitable in the development process. The sudden diversion of funds to basic and capital goods industries starved the essential goods industries of capital; as a consequence, their growth was not commensurate with the growing demand. The result was acute scarcities in the early years of the current decade and high prices of consumer goods. The authorities have now realised the importance that they should have attached to the production of essential goods.

The second aspect of the lopsidedness of our industrial growth relates to the generation of additional employment. According to the annual survey of industries, though total employment in factories increased at the rate of 3.6 per cent per year, employment per factory declined from 346 in 1959 to 321 in 1970. The figure of 321 in 1970, however, showed an improvement over the decline in 1965 to 297. The situation since 1970 does not seem to have substantially improved. In comparison, the growth in productive capital per factory has been quite substantial, increasing from Rs. 24 lakhs in 1959 to about Rs. 84 lakhs in 1970. Similarly, output per factory also recorded an

increase from Rs. 37 lakhs in 1959 to Rs. 86 lakhs in 1970. The above figures clearly bring out the fact that though larger investments and increased outputs per factory have been achieved, the generation of per factory additional employment has not kept pace with industrial growth. The decline in per factory employment is the most disconcerting feature of the industrialisation process in the country. The share of total emoluments of workers in value added by manufacture also declined from 55.8 per cent in 1959 to 52.7 per cent in 1970. This further corroborates the fact that factory employees did not receive their proportionate share of the incremental value added. All these factors, when related to the declining trend in factory employment, clearly indicate that the growing prosperity of large-scale industries has failed to generate a proportionate employment potential.

Small-Scale Units

In these peculiar circumstances, the small-scale sector has a significant role to play. Large industries are located in specific parts of the country, as a result of which vast regions are still backward. These backward regions still depend on agriculture as a major occupation and on small cottage industries and artisan crafts, which meet only the local demand. Though these cottage industries have provided some employment, this employment has not been gainful in the sense of being profitable. Large industrial units have become the backbone of the industrial economy. What is needed is a widespread growth of small-scale industries so that the industrial structure of the nation becomes firm and broad-based. It is only then that the economic process will be accelerated and the fruits of prosperity distributed widely.

Small industries will thus help to remove regional imbalances and generate wider and larger opportunities for gainful employment. This aspect of the importance of the small-scale sector has been recognised the world over.

Even in developed countries, small industries exist and make a substantial contribution to the national output. In India also, every successive Five-Year Plan laid emphasis on the creation of a widespread network of small industries throughout the length and breadth of the country, and a substantial progress has been achieved in this direction. However, this growth has been haphazard and has not spread evenly over all the States. In the Punjab, for example, the growth of a network of small-scale industries, coupled with the fruits of the green revolution, has put that State in the front rank as one with the highest per capita income and with wider opportunities for gainful employment. Moreover, under Indian conditions, industrialisation has got to achieve the twin objective of removing regional imbalances and generating enough employment. And this can best be achieved by promoting the growth of small industries.

Small-scale industries today have a fixed capital upto Rs. 10 lakhs—Rs. 15 lakhs for ancillaries. According to the Small-scale Industries Development Organisation (SIDO), the number of small units from 1966 to 1975 went up by more than 300 per cent. Employment in small units increased by 90 per cent and capital formation by 174 per cent. The small-scale sector's share in the total industrial production in the country also registered a continuous rise. The growth in its output has outstripped the growth rate of large industries, especially of late. In 1975, this growth rate was around 14 per cent. The index of production in the small-scale sector during January to March 1976 showed an increase of 14 per cent against the 10 per cent rise in the large-scale sector. The number of registered units increased at a stupendous rate from 2.8 lakhs in 1972 to 4.9 lakhs in 1975—an increase of about 75 per cent in a period of three years. The value of output, too, went up from about Rs. 3,000 crores in 1972 to Rs. 5,700 crores in 1975, recording an increase of about 94 per cent in three years. The share of small units in the total industrial production also picked up from 35 per cent in 1972 to 38 per cent in 1974.

Index of Production of Small Units

The recently-conducted National Census of Small-scale Industries provides valuable information on the development, structure and problems of small-scale industries. A notable feature of the Census has been an attempt to construct an index of industrial production in the small-scale sector with 1970 as the base year, which has been chosen to bring it in line with the general index of industrial production. The index of industrial production in the small-scale sector was 119.5 for 1971, 145.6 for 1972, 153.2 for 1973, 169.3 for 1974 and 188.7 for 1975. The estimated index for February 1976 stood at 169.9 and the provisional index for March 1976 shot up to 202 5.

The Census further reveals that 35 per cent of the small industries were in backward areas, 15 per cent in the rural industries project area, while 5 per cent were located on industrial estates — though these may not be mutually exclusive groups. These percentages clearly indicate the important role which small industries can play in reducing regional imbalances. In view of the fact that small industries in Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal together account for 52 per cent of the total number of small units, 46 per cent of employment, 62 per cent of investment of fixed assets and 59 per cent of gross output, there is a need for evolving measures to ensure their dispersal in other comparatively backward States.

Again, according to the Census, the total investment by small units in productive assets amounted to Rs. 1,677 crores — Rs. 1,055 crores in fixed assets and Rs. 622 crores in working assets. On an average, plant and machinery constituted 50 per cent of the total assets. Out of 2,400 products manufactured, over 750 or 31 per cent were exported, the value of exports in 1972 being Rs. 150.5 crores or 6 per cent of the total value of output of the small-scale units. These figures spotlight the fact that small-scale industries have carved out a place for themselves in the industrial structure of the country, and that they are

increasingly contributing to the export earnings of the nation.

State Aid

The growth of small-scale industries owes much to the various policies initiated and implemented by Government. The assistance to entrepreneurs by way of equity participation, substantial loans at concessional rates of interest and various other considerations, such as provision of facilities for hire-purchase of machinery, preference in the allotment of factory sites and their rentals, concessions in, and rebates on, some State and local taxes and Central subsidy in certain backward areas have given an impetus to the growth of small units. State Governments have, also, provided facilities for the marketing of their products and have established statutory institutions like SSIDCs (Small-Scale Industries Development Corporations) to look after the various aspects of the services rendered. In addition, a sort of protective field has been provided where small entrepreneurs are able to establish themselves without any fear of competition from large-scale industries. For this purpose, Government has reserved 222 items for exclusive manufacture in the small-scale sector. This has helped small-scale units to enter the fields of modern technology and sophistication. However, while availing themselves of all these facilities, these small units experience certain procedural difficulties, which should be smoothed out in the interest of their further growth.

A balanced all-round industrial growth is absolutely essential for a proper economic development of a nation; and the degree of its industrialisation is in a way an indicator of its economic progress. Since more than 40 per cent of India's population lives below the poverty line, emphasis has to be placed on large-scale production of essential goods. With this end in view, the production process has to be streamlined so that such essential consumer items as edible oils, sugar, vanaspati, cotton textiles, man-made fibres, tea and coffee are made available at reasonable prices. Even so, however, priorities will

have to be chalked out with a view to rationalising the allocation of limited inputs.

Raw Materials and Power

The most important input in the production of essential consumer goods is the timely availability of raw materials at reasonable prices. There have been instances where industries have been starved, mainly because they depend on agricultural raw materials, whose availability fluctuates from season to season. For example, whenever the cotton crop or groundnut crop is good, there is no problem; but when a crop failure occurs, the supply of raw materials often creates production bottlenecks It is essential, therefore, to ensure the procurement, maintenance and phased release of raw materials for the consumer goods industries, in the same manner as Government does in the matter of procurement, maintenance and phased release of foodgrains. Such a system would provide for the supply of raw materials at the *right* time, of the *right* quality, in the *right* quantity and at the *right* price.

For it is obvious that if supplies are maintained throughout the year at reasonable prices, the cost of production would be regulated, and finished products would be made available to consumers at prices which they can afford. Overheads increase when working days are lost for any reason. It is, therefore, often said that one way of streamlining production is to organise a constant flow of raw materials.

Another important industrial input is power. India has increased the production of electricity, but the demand has invariably outstripped supply. This is evident from the fact that though the generation of electricity — thermal, hydro and nuclear — increased from a monthly average of 488 million kWh in 1951 to about 6,000 million kWh in 1975, demand for it has been progressively rising, with the result that there have often been conditions of power shortage. Mechanisation of agriculture and electrification of rural areas have added to the demand for power, often necessitating power cuts ranging from 15 per cent to 50 per

cent in many months of the year. In such a situation priority for power should be given to essential goods industries in the same way in which the supply of power is made available for agricultural needs with a view to enabling the former to attain maximum utilisation of their installed capacity and thus attract new capital.

Industrial Peace

Labour is one of the most important ingredients in the production process. Harmony in industrial relations is the basic underlying factor which determines the efficiency and ultimate profitability of an enterprise. Production is a collective or collaborative activity, and different factors participate in varying proportions to ensure the availability of the finished product. Of these, the human element is the most important. The declaration of emergency and the implementation of the Programme have brought about a substantial improvement in the industrial climate in the country. There have been no *morchas*, no strikes, and a comparatively small loss of man-days — nothing has happened to strain industrial relations during the past fifteen months. This is a remarkable achievement, as is evident from the fact that during the period from 1968 to 1974, the number of industrial disputes increased from 2,776 to 2,938, while the number of workers involved in the disputes rose from about 17 lakhs in 1968 to 29 lakhs in

Table 7

INDUSTRIAL DISPUTES

Year	*No. of disputes*	*No of workers involved (lakhs)*	*No. of man-days lost (million)*
1968	2776	16.69	17.24
1969	2627	18.27	19.05
1970	2889	18.28	20.56
1971	2752	16.15	16.55
1972	3243	17.37	20 54
1973	3370	25.46	20 63
1974	2938	28 55	40.26
1975*	1843	11.08	21 56

* Provisional.

1974, and the number of man-days lost went up from 17.24 million to 40.26 million. The situation, however, substantially improved in 1975, with 1,843 disputes involving 11 lakh workers; man-days lost declined to less than 21.56 million. This position has improved enormously in 1976 (See Table 7.)

The improved labour situation in 1975 was due mainly to the follow-up measures initiated and implemented after the declaration of emergency on 25 June 1975. The setting up of the bipartite National Apex Body to review industrial relations and the creation of shop councils and joint councils made their own special contribution to this situation. The new sense of discipline and of duty which emerged in the wake of the emergency also created a healthier industrial climate. Restrictions were imposed on managements in respect of lay-offs and lock-outs. Workers' participation in management in some form generated a sense of responsibility and involvement among the workers All these measures, combined with the fact of job security, have created the necessary climate for industrial peace, which is so essential for streamlining production.

Industrial Licensing

Of late, Government has taken steps to liberalise the licensing policy, mainly with a view to a quick creation of additional capacities, stimulating investment in the priority sectors, and ensuring a fuller utilisation of installed capacities. This increased capacity resulting from replacement and modernisation would be over and above the normal permissible limit of 25 per cent in excess of the authorised or licensed capacity. Moreover, selected engineering industries have been allowed an automatic growth of capacity at the rate of 5 per cent per annum, or upto a limit of 25 per cent in the Plan period, in physical terms, subject to certain conditions.

In order to encourage investment in industry, it has been decided to delicence 21 of these, which, however, will have to seek licences if they are covered by the MRTP or Foreign Exchange Regulation Acts. In addition, medium

entrepreneurs in 29 specified industries have been allowed to use their existing installed capacities without limit, even though these may be in excess of their licensed capacities.

With a view to facilitating quicker disposal of applications for diversification, for carrying on of business, and for extension of the validity period of industrial licences, the rules framed under the Industries (D & R) Act are being amended to provide for the delegation of powers to the administrative ministries concerned. The facility of endorsement of industrial capacities on the basis of maximum utilisation of plant and machinery would also be extended to units registered with the technical authorities or the Directorates of Small-scale Industries.

Working Capital

Another aspect relates to the availability of credit, especially by way of working capital. During the two years from 1973, Government adopted a tight credit policy which in actual practice starved many essential goods industries of capital, thus forcing some to cease production. It is, therefore, necessary to ensure that whenever there is a credit squeeze, the essential goods industries are not starved of working capital.

Another important factor vital to the streamlining of essential goods production relates to the provision of such infrastructural services as transport—rail, road and water. Of late, there has been a welcome change in the nature of these services, and it is hoped that their continuing efficiency will be maintained.

A passing reference may be made here to Government's policy on controls. In the past, whenever there were scarcities of essential goods, Government resorted to the easy measures of price and quota controls. Though well-motivated, the effects of these controls were not always desirable, or even anticipated, for they invariably led to further scarcities and more widespread blackmarket operations. Fortunately, these elements have been brought under control during the past fifteen months. This augurs well

for the future, and it is hoped that emphasis hereafter will be shifted from controls to the provision of essential industrial raw materials, for this is the only effective way of increasing production and holding the price line.

Streamlining of the production process, both in agriculture and consumer goods industry, is most essential for holding the price line. If past experience is any guide, it is absolutely essential that firm steps are taken to ensure the availability of essential goods in the market at any period of time. To achieve this result, efforts will have to be made to traverse the entire gamut of the economy. Moreover, the whole Plan has to be viewed from a long-term angle with short-term adjustments wherever necessary.

The most important group of essential goods of consumption is the group of food articles, especially foodgrains. As observed above, domestic production of foodgrains will have to be systematically stepped up to meet the growing demand. To obtain the desired growth rate, provision has to be made for adequate availability of such agricultural inputs as irrigation, fertilizers, improved seeds, high-yielding varieties, etc. Dry farming technology and double cropping, together with related farm improvements, will also have to be practised. At the same time, there will have to be a planned increase in the production of agro-based industrial wage-goods, such as cotton cloth, sugar, edible oils, vanaspati, tea, coffee, etc. Priority will have to be given to these industries when planning the future investment pattern.

The basis of any scheme of price stability, under Indian conditions, is the adequate availability of essential goods. When prices of essential wage-goods are maintained, costs of other commodities automatically behave themselves. In a way, holding the general price line would have a wholesome effect on project costs also.

Mention must be made here of the need for residential houses which, though not directly productive, promote productivity. A good residence, reasonably near the place of work, definitely increases the productivity of a worker;

needless to say, productivity and increased production are two sides of the same coin.

This brings us to the problem of social versus economic costs. In a situation of scarce resources, a balance has to be struck between these two costs in regard to their drafts on the available resources. There is a unique relationship between them, and the growth of one promotes the growth of the other; it is a circle Price stability of essential consumption goods is a base for any social or economic growth, especially under Indian conditions, where the general income pattern (particularly in the large unorganised sector of the economy) still approximates to the subsistence level.

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PROCUREMENT AND DISTRIBUTION TO CONTAIN PRICES

AVINASH SUKLIKAR
JAYANT LAKHKAR

A developing country like India, wedded to a socio-economic transformation through economic planning, necessarily requires a distribution system which should aim at the stability of prices and also promote economic growth. The crux of a price policy lies in determining the volume of distributive trade, especially of essential items of consumption, between the public and the private sectors.

Some form of distribution system has always existed in society. This system invariably goes on changing in response to the new techniques of production and the complexity of the economic structure. Thus, with the introduction of money as a medium of exchange, the village barter distribution system gave way to a more complex distribution of commodities. Later, when the State assumed responsibility for the welfare of its citizens, the obligation naturally devolved on its to step into the field of distributive trade. As the objective of economic growth through planning could be achieved only under conditions of stability, price policy became an integral part of economic planning in the country. For this purpose, a degree of State control over the market is essential.

Under Indian conditions, the prices of food articles determine the general price level in the country. This is

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DR. AVINASH SUKLIKAR, The Economic Times, Bombay.
SHRI JAYANT LAKHKAR is Joint Manager, Maharashtra Small-Scale Industries Development Corporation Ltd., Bombay.

because of the general consumption pattern in which about two-thirds of the consumption expenditure of an average Indian is spent on food items; of this, again, a major portion is devoted to the consumption of foodgrains. Therefore, the policy regarding production, procurement and public distribution of foodgrains was adopted in the early fifties. Government was seized of its responsibility in the field of stabilising prices through control on the distribution of foodgrains and even of some necessities like edible oils, vanaspati, standard cloth, kerosene, washing and toilet soaps, essential drugs, etc.

Historical

Before independence, the then alien government did not have any price policy except in times of war. Rationing was introduced in major cities during the Second World War. After independence, a step towards food policy was taken by the appointment of the Foodgrains Procurement Committee[1] in 1950, which recommended the system of monopoly procurement and rationing. This recommendation may have been influenced by the then prevailing acute food situation. However, the success of the First Five-Year Plan in increasing food production considerably eased the situation, with the result that Government also took its responsibility regarding public distribution somewhat easy. All went well till 1955-56, after which prices, especially of essentials, started rising and scarcities began to be felt. Government therefore appointed the Foodgrains Enquiry Committee[2] in 1957 "to investigate the facts and the causes of rise in prices despite higher production and to suggest immediately and from time to time remedial measures which would prevent speculative hoarding and undue rise in prices." This committee was of the view that until there was social control over the wholesale trade, no effective price stabilisation of foodgrains could be achieved. It also recommended the building up of buffer stocks of foodgrains

1. Headed by Mr. Thirumal Rao
2. Headed by Mr. Ashok Mehta.

as a price stabilising device. This led to the large import of foodgrains, especially wheat, from the USA under the PL-480 agreement. Imports touched the highest ever figure of 10.36 million tonnes in 1966. Together with the procurement of domestic foodgrains production of about 4 million tonnes, the public distribution system in 1966 controlled as much as 14 million tonnes of foodgrains, excluding the carry-over stock. The years 1965 and 1966 were the worst years for agricultural production. Government had to maintain huge stocks by imports and procurement. In 1968, the situation improved. Government therefore stepped up its procurement drive and decided to reduce imports progressively. With the improvement in the production of foodgrains because of good seasons, as also because of various schemes of agricultural development, Government reduced its coverage of public distribution and confined it only to big cities. The implicit presumption under this system is that rural areas are capable of meeting their needs through the private distribution system.

The policy of reducing imports was vigorously implemented and in 1972 imports of foodgrains were practically reduced to nil. Domestic procurement was stepped up and was deemed to be sufficient to maintain the skeleton public distribution system. As prices started rising again and conditions of scarcities emerged, the necessity of streamlining the entire system of foodgrains production, procurement and distribution came to the fore.

Agricultural Prices Commission

With a view to evolving a balanced and integrated price structure in the light of the overall needs of the economy, Government appointed the Agricultural Prices Commission (APC)[3] in early 1965 to advise it on its price policy for agricultural commodities. A beginning was made by asking the Commission to recommend minimum prices for kharif cereals for the 1965-66 season so that Government's decision on them could be announced before the commencement of

3. Headed by Professor M. L. Dantwala.

the sowing season. This was the first Commission of its type and it was meant to function on a regular basis. Thus, a positive step was taken in the direction of streamlining public distribution in the country. The Commission, while recommending the prices for the kharif season, took the opportunity to guide policy discussions on the various components of public distribution—the quantum of purchase, the methods of procurement, the procurement agencies, and the distribution of foodgrains. It regarded the State acquisition of sizable quantities of foodgrains and their planned distribution as the king-pin of Government strategy of achieving a position of strength in the foodgrains market for maintaining the price line.

Objectives

The basic objective of the price policy is to protect the interests of the producer on the one hand and those of the consumer on the other. In a way, it was a matter of distribution of real incomes between the producers and consumers of foodgrains. The need for evolving a systematic and permanent public distribution system has been on the cards all these years. A machinery for running and maintaining it has also been evolved. The discussion on the topic at present revolves round the extent of the coverage of the system. While some would like the system to cover a wider compass, both geographically and population-wise, others deem the coverage of strategic urban centres as sufficient for maintaining the price line. However, one thing has been accepted by both schools of thought—that public distribution should play a vital role in maintaining the price line, and should be continued on a regular basis.

In this connection, reference may be made here to Gulati and Krishnan,[4] who recommended a wider coverage by the system, and advocated that the public distribution system (PDS) be established on a permanent basis. According to them, PDS should not only cover the entire urban population, but should also embrace the entire non-

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4. *Economic and Political Weekly*, 24th May 1975, p. 289.

cultivating population in the rural sector. On this basis, the population covered in 1973 would have been 298 million —about 51 per cent of the total population. With the minimum quantity of 280 grams per capita per day of cereals (about 100 kgs per annum), this scheme would have called for the procurement and distribution of about 30 million tonnes of cereals (excluding pulses) as against about 11 million tonnes at present. While the demarcation of the strata of society to be covered by the public distribution system is a matter of policy, the thinking in the country seems to be in favour of a still wider coverage by it in the larger interests of price stability and economic growth.

Any wider coverage, however, will call for larger Government controls over the stocks of foodgrains. The decision on coverage by the system is also uniquely related to the practicability of efficiently implementing the larger trade volume. It will also have to be justified whether a larger coverage is really necessary for controlling the price line. It would be ideal if, by an optimum but judicious coverage by the system, a supply-demand balance can be attained. The criteria of determining the coverage by the system should be such as to touch the high-purchasing urban pockets in the strategic as also the vulnerable sectors of society; the former for economic reasons, and the latter for reasons of social welfare.

In addition to its role of maintaining the price line, the PDS also protects the cultivator against the fluctuations of the market system. It also acts as an incentive to the producer inasmuch as it guarantees a minimum price to him. The first APC was of the opinion that "..... while the farmers' year to year income is determined by the actual realised prices ... in a free or controlled market, ... his long-term interest is sought to be served through the policy of guaranteed minimum or support prices. The realised price is either a free market price (not below the guaranteed minimum) or a price fixed by Government for its purchase/procurement operations .... One of the major uncertainties which afflicts farming activity emerges from the not

infrequent phenomenon of a sudden and precipitous fall in prices of agricultural commodities. The objective of the guaranteed minimum price, as universally understood, is to remove this uncertainty. This should enable the farmers to pursue their production efforts with the assurance that any temporary glut in the market caused by either the supply or demand factor will not be permitted to depress their incomes." Whatever its coverage, a public distribution system, apart from being an instrument for holding the price line, would have a salutary effect in creating a healthy atmosphere by checking such anti-social activities as hoarding and blackmarketing. It would regulate the free market by maintaining the supply-demand balance and allow the State a hold over the economy by giving an incentive for higher production.

Before we go into the various related aspects of the PDS, it is necessary to glance over the procurement and distribution statistics over the years. (See Table 1.) The public distribution system did not enjoy much prominence in the early sixties. It was only in the successive drought years of 1965 and 1966 that its coverage was widened, and imports, as also internal procurement, were stepped up. From 1964 to 1968, the public distribution system handled large stocks of foodgrains, from 9 million to 14 million tonnes in a year. The drought underlined the need for stepping up agricultural production; it also emphasised the need for proper distribution in the interests of economic growth. However, the quantum of foodgrains through the public distribution system has been more or less constant in the seventies. The hyper-inflation since 1973 again emphasised the need for an efficient and widely-operating public distribution system. Government took various measures to contain inflation, and one of the important ones was streamlining distribution—both public and private.

Streamlining Distribution

Various measures, both fiscal and monetary, were taken for this purpose. For example, the control of black money

Table 1

NET AVAILABILITY, PROCUREMENT AND PUBLIC DISTRIBUTION OF FOODGRAINS

(Quantities in million tonnes)

Year	*Net production of foodgrains*	*Imports*	*Net availability of foodgrains @*	*Procurement*	*Public distribution*	*Col 3 as % of Col. 4*	*Col. 5 as % of Col. 2*	*Col. 6 as % of Col 4*
1	2	3	4	5	6	7	8	9
1961	72.04	3.50	75.69	0.54	3.98	4.6	0.7	5.3
1962	72.10	3.64	76.09	0.48	4.37	4.8	0.7	5.7
1963	70.29	4.56	74.84	0.75	5.18	6.1	1.1	6.9
1964	70.61	6.27	78.10	1.43	8.67	8.0	2.0	11.1
1965	78.20	7.46	84.57	4.03	10.08	8.8	5.2	11.9
1966	63.30	10.36	73.48	4.01	14.09	14.1	6.3	19.2
1967	64.95*	8.67	73.87	4.46	13.17	11.7	6.9	17.8
1968	83.17*	5.69	86.80	6.81	10.22	6.6	8.2	11.8
1969	82.26*	3.87	85.62	6.38	9.39	4.5	7.8	11.0
1970	87.06*	3.63	89.49	6.71	8.84	4.1	7.7	9.9
1971	94.87*	2.05	94.31	8.86	7.82	2.2	9.3	8.3
1972	92.02*	0.45	96.21	7.67	10.48†	0.5	8.3	10.9
1973	84.90*	3.61	88.98	8.42	11.40	4.1	9.9	12.8
1974	91.58*	4.87	96.88	5.65	10.79	5.0	6.2	11.1
1975*	88.43	7.41	90.63	9.48	11.12	8.2	10.7	12.3

* Provisional. † Excludes exports to Bangladesh. @ Net availability = Net production + Net imports ± change in Government stocks. *Source*: "Economic Survey", Government of India, February 1976.

put a check on speculative hoarding of foodgrains and other essentials; the credit squeeze exercised a heavy restraint on the holding capacity of traders; while physical checking of the stocks with wholesalers acted as a disincentive to falsification of records of stocks with them. The major controlling instrument of the private distribution system has been the presence of the public sector in the field. The policies of procurement—both by way of procurement price and the quantum procured, as also the machinery for distribution—serves as a check on the activities of private traders. As the quantities of foodgrains traded through the public distribution system are of significant proportions, the latter serves as a potential weapon of control in the hands of the Government. As may be seen from Table 1, as much as 12.3 per cent of the net availability of foodgrains in 1975 was under the control of the public distribution system. In 1975, the net production of foodgrains (excluding seed, feed and wastage) was about 88.43 million tonnes, while the net availability was 90.63 million tonnes. The procurement of foodgrains through public agencies is effected through the surplus of foodgrains marketed by farmers. Though an exact proportion of the marketable surplus is difficult to assess, estimates of the marketed output have been made by various studies, as also by the National Sample Survey. According to these, about 30 per cent to 40 per cent of the total cereal output is normally marketed by farmers. Assuming that they market a third of the total output, about 29 million tonnes was unloaded by farmers in 1975. The procurement of 9.48 million tonnes during the year accounted for about 33 per cent of the total marketed quantum and 10.7 per cent of the net production of foodgrains. These facts indicate the measure of control exercised by the public distribution system over private foodgrains distribution. The Agricultural Prices Commission, in its seasonal reports, sets targets of procurement. Such targets are mostly based on the existing needs of the distribution system.

Procurement

The PDS today is operated through over 2.33 lakh retail outlets (fair price shops), a fact which gives rise to complex issues relating to procurement, pricing, buffer operations, warehousing, transportation, subsidy, etc. All these require an infrastructure, either structural or of services, by way of a network of procurement agencies, building of warehouses for storage, arrangements for transportation, and a large employment of manpower. The first APC detailed out the following alternative methods of Government purchase/procurement:

(1) Levy on producer and/or miller; (2) voluntary purchase from millers and wholesalers on an agreed basis as to quantity or price; (3) pre-emption on market sales/auctions; (4) monopoly purchase; and (5) competitive open market purchases. All of these have been tried with varying degrees of success (or failure) in different parts of the country and at different periods of time. In choosing between these methods, the basic issue is whether the element of compulsion implicit in the levy system and in purchases at a legally fixed price is necessary. The APC desired to minimise compulsion, for it stated: "..... If the market situation permits, the Government or the Food Corporation—backed by an all-India purchase association, finances and a market intelligence service—can make the required purchases in competition with the trade." However, even with the obvious limitations on monopoly procurement, the APC recommended that Government should not acquire the requisite stocks through competitive purchases in the open market, though the FCI (Food Corporation of India) and the co-operatives may make such purchases wherever possible. "The major part of public stocks," it says, "will therefore have to be procured through a system of levy on producers/millers. Procurement should be undertaken in the surplus as well as deficit States. The total quantum of purchases would vary according to the policy in regard to inter-State movement." The rate of levy recommended was higher in the surplus States (with movement restrictions).

The APC was not in favour of monopoly procurement, for such a procurement operation necessitates restrictions on the movement of foodgrains among the States. It also recommended single-State zones as it could not find any particular advantage in larger zones. In recommending single-State zones, it was fully aware of the rigid discipline which would be imposed in the scrupulous observance of the system.

Procurement and Issue Prices

Though the determination of the quantum of procurement for public distribution is a matter of judicious policy requiring a balanced consideration of the various issues involved, the maintenance of an adequate buffer stock (the norm can very well be the existing level) for holding the price line is an obvious necessity. For this purpose, the fixation of procurement price has been another ticklish issue. Under Indian conditions in which the supply of foodgrains is expected to be far shorter than the demand for many years, the open market price of agricultural produce would always be higher than the minimum support price guaranteed by the Government.

The exercise of fixing the procurement price for each season is made by the APC. While deciding upon the appropriate level of this price, it examines the available data on the cost of production as well as the recent changes in input prices. However, there is always some arbitrariness in fixing the procurement price. For illustration, the APC, in its report on the price policy for wheat for the 1976-77 season, estimated the cost of production of wheat in Punjab for 1975-76 at Rs. 87.76 per quintal. The fixation of procurement price by the APC for the 1976-77 wheat season at Rs. 105 per quintal was based on the analogy that the same price of Rs. 105 per quintal was also recommended for the 1975-76 season and that the cost of production of wheat over the year had been assumed to be the same.

Transporting and storing of procured foodgrains add to the cost of the procurement agencies. As the Govern-

ment's intention in managing the entire distribution system is to cater to the vulnerable sections of society, the actual selling price of foodgrains has to be kept to the minimum. This involves an element of subsidy, which was about Rs 300 crores in 1975-76. Such a subsidy is given mainly to keep down the prices of such essential foodgrains as wheat, rice and coarse grains supplied through the fair price shops with a view to lowering the cost of living, especially in urban centres. The motive behind this is to check demand for higher wages as an added anti-inflationary measure. (See Table 2.)

Table 2

(Rs per quintal)

	*Wheat**	*Rice***	*Coarse grains*
1. Purchase cost, including procurement incidentals	143.23	138.43	85 60
2. Distribution cost	17.72	17 72	17.72
3. Economic cost	160.95	156.15	103.32
4. Issue price	125.00	152.25*	86.00
5. Less extra realisation on issue of wheat to Roller Flour mills	4.50		
6. Subsidy	31.45	3.90	17 32

* Averaged for both indigenous and imported

** Weighted average of standard varieties.

The above table shows that the subsidy per quintal of wheat distributed in 1975-76 was Rs. 31.45, of rice Rs. 3.90 and of coarse grains Rs. 17.32. While the procurement price for wheat was Rs. 105 per quintal, its economic cost per quintal in 1975-76 came to Rs. 160.95. As the issue price was to be maintained at Rs. 125 per quintal, the Central Government had to subsidise the public distribution operations at the rate of Rs. 31.45 per quintal of wheat. In comparison, the subsidy for rice was much less, though the coarse grains subsidy was higher than that for rice but lower than that for wheat.

The moot point here relates to the incidental and other distribution costs. A break-up of the total distribution cost per quintal (apart from the procurement incidentals which accounted for Rs. 28.23 per quintal), including the cost of pooled storage, movement and distribution, for all foodgrains in 1975-76 is shown in Table 3

Table 3

(*Rs. per quintal*)

Interest charges	3.36
Freight	3.67
Administrative overheads	2 78
Transport and storage losses	2.81
Handling expenses	0.99
Godown expenses	0 39
Carrying cost of buffer stock (storage and interest)	3.72
Total	17.72

While Rs. 3.67 per quintal was spent on freight, Rs. 2.78 per quintal accounted for administrative overheads. Transport and storage losses during the year amounted to Rs. 2.81 per quintal. The point here is whether there is any scope for reducing the distribution costs of foodgrains with a view to lowering the quantum of subsidy, which is a net burden on the exchequer. Any wider coverage by the public distribution system in future would more than proportionately increase the distribution cost. It is unlikely that in the public procurement of large quantities, any saving of cost due to large-scale operations would be achieved. On the contrary, it has been the experience that, with an increase in the volume of operations in the public sector, the tendency for certain costs—such as storage and transportation losses as well as handling expenses—is to increase. Though administrative overheads may decline in proportion, freight charges would rise in proportion. As a practical policy, before any measure of widening the coverage by the public distribution system is undertaken, it is essential to streamline strictly each component of the distribution cost.

Otherwise a wider public distribution system would entail a heavier burden on society, and may take the shape of a charitable institution rather than a judicious socio-economic scheme.

Storage Facilities

Next to the procurement of foodgrains in large quantities, the problem of storing them assumes importance. Our present method of handling foodgrains right from the harvesting stage to the stage of retail marketing involves considerable losses. This holds true both for the private and public distribution systems. Harvesting, milling, storage, transport and actual movement of foodgrains through manual operations (losses due to damage by rodents, etc., must also be included)—in all these operations, the losses estimated are as high as about 20 per cent to 25 per cent. To the extent that agricultural operations are mechanised and storage facilities by way of warehouses are created and the use of insecticides and pesticides increased, the loss can be reduced. Though it is very difficult to give estimates of saving in foodgrains through reduction in such losses, the National Council of Science and Technology's Panel on Futurology expects these losses to be reduced to 5 per cent by 1998—a very distinct gain indeed.

These facts give us the measure of the importance of storing the procured foodgrains if losses are to be minimised. The Central and State Governments' procurement administration and the Food Corporation of India are the important procurement/purchase agencies. The total storage capacity of foodgrains in the public sector today is of the order of 11 million tonnes to 12 million tonnes against the stocks of about 17 million tonnes to 18 million tonnes held in the public sector. The FCI's storage capacity by the beginning of 1974 was 7.8 million tonnes—5 million tonnes owned and 2.8 million tonnes hired. The construction of new storage capacities by the FCI in the latter years was largely hampered by shortages of cement, bricks, roofing sheets, etc. The Central Warehousing Corporation (CWC), which was

established in 1957 for the purpose of building warehouses, had a total capacity of about 1.6 million tonnes by the end of 1973-74 — 1.1 million tonnes in its own constructed godowns and 5 lakh tonnes in hired godowns. In addition, the State Warehousing Corporations, which function as the subsidiaries of the CWC in all the States, had an aggregate capacity of about 1.7 million tonnes at the end of 1973-74. Thus, the total capacity at the command of the CWC was of the order of 3.3 million tonnes. The CWC has plans for the construction of additional capacity of 1.7 million tonnes during the Fifth Five-Year Plan period. Storage capacity, therefore, together with the estimated capacity for 9 million tonnes to 10 million tonnes with the FCI, will be around 15 million tonnes by the end of the Five-Year Plan in 1978-79. This, however, would not suffice to hold the stocks which are likely to average around 20 million tonnes to 22 million tonnes by the end of the Fifth Five-Year Plan.

Other Food and Non-food Items

Though the major portion of the public distribution system relates to the procurement and distribution of important foodgrains like rice, wheat, coarse grains, etc., there are other essential food and non-food items which at present are under some form of channel distribution or price control. Such items are manufactured essential goods like sugar, kerosene, soap, cement, drugs, edible oils, vanaspati, etc. While at present there is a two-tier system for the distribution of sugar and cement, kerosene and certain varieties of soap are governed by price control. There is a two-tier system in the case of sugar and cement in that a certain proportion of the output (30 per cent) is made available to the public distribution system at a given price, which is normally lower than even the cost of production. The remaining quantity is available for distribution through private market channels, and its price is allowed to be determined by market forces. In the case of soap (Janata), there is a stipulation for the production of certain low-cost items for public distribution. As an experimental measure,

Government also undertook the sale of certain essential drugs at lower prices. The existing distribution system, in the case of the above items, does not entail any burden on the exchequer by way of subsidy or otherwise. The existing system, in regard to these items, has been working well, though there is need to remove certain snags and streamline the system.

It was therefore thought necessary to take a comprehensive view every year of the aggregate requirements of foodgrains. With this in mind, the first Agricultural Prices Commission suggested the formulation of a comprehensive national food policy in the light of a realistic assessment of the surpluses and deficits of foodgrains—separately for wheat, rice and coarse grains—in each State on an objective basis The APC was of the view that a pre-condition of the National Food Budget was the acceptance of a national policy on State monopoly of inter-State movement of foodgrains. It was, moreover, felt that as the private trade would not be allowed to engage in inter-State movement, its capacity to compete with the State agencies in the purchase of surpluses would be greatly reduced. However, a full implementation of the recommendations posed many difficulties, creating rigidities and inordinate delays in the process of inter-State movement of foodgrains. A comprehensive National Food Budget in the real sense has yet to emerge despite the urgent need for it.

The recent sudden shortages of edible oil, vanaspati and sugar triggered the idea of commodity budgets as part of the National Food Budget. Government therefore decided, first, to have commodity budgets for buffer stock operations. Secondly, it was resolved that export commodities be linked to their domestic availability and price stability. Thirdly, Government expressed its determination to exercise effective vigilance over the violent fluctuations in the agricultural commodity markets. The basic objective of the commodity budgets is to ensure fair prices to the producer, protect the interests of the consumer and control violent

fluctuations in the market caused by speculators and hoarders.

Summing-up

The entire discussion on public distribution leads to certain conclusions. Under the peculiar circumstances of the Indian market, it is absolutely essential to maintain a public distribution system for certain key foodgrains like rice, wheat, coarse grains, etc. The coverage by the system is a matter of judicious policy and involves, moreover, a big subsidy of the order of Rs. 300 crores a year, which is a rather heavy burden on the exchequer. With a wider coverage by the PDS, the subsidy would rise substantially. If the coverage is to be doubled quantitatively (say, from 11 million tonnes to 22 million tonnes), the quantum of subsidy would rise to more than Rs. 600 crores, entailing an enormous burden on the exchequer, that is, on society. There is therefore an urgent need to examine every item of distribution cost with a view to streamlining the entire process. The existing system for distributing or for controlling prices of other food and non-food items like sugar, kerosene and certain cheap varieties of soap and cement is working fairly well, though there is a need to streamline this process as well.

Before concluding, mention may be made here of the confusion that yet prevails in the distribution of cheap standard cloth. Earlier distribution methods did not work well. For example, cloth meant for public distribution was neither standard nor cheap; and there was not much public demand for standardised cloth. Moreover, the mills, instead of producing the given quota of standard cloth, always escaped responsibility by paying a penalty; it was cheaper that way for them. The recent change in the policy has been to transfer the manufacture of standard cloth to the handloom sector and to include certain designs in the manufacture of the standard variety. However, fresh thought needs to be given to the public distribution system in regard to standard cotton cloth, including the public demand for it.

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PROCUREMENT AND DISTRIBUTION: ROLE OF CO-OPERATIVES

G. S. KAMAT

Policies and programmes pertaining to the procurement and distribution of essential consumer goods have assumed critical importance in the context of the need for provision of a fair return to the producers and justice to consumers.

The Indian economy has been under pressure because of the capital intensive nature of the Plan programmes, scarcity of resources and rising inflation. A well-conceived and properly co-ordinated procurement and public distribution system alone can, in fact, lead to the success of our development Plans.

The Public Distribution System (PDS) has so far been restricted to the management of foodgrains. Procurement is intended for building up buffer stocks and for the distribution of foodgrains through fair price shops. The scheme hardly covers 10 per cent of the total foodgrains consumption in the country. Statutory rationing has also covered only 3 per cent of the population through its 1.65 lakh outlets. These are obviously limited achievements.

Existing Trade System

A casual look at the existing trade and distribution system in India may give to the observer an impression that it is the most economical system in this country, as it seems to operate on a small margin. However, it overlooks

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DR. G. S. KAMAT is Head, Department of Marketing Management and Co-operative Marketing, Vaikunth Mehta National Institute of Co-operative Management, Pune.

the high cost to the economy on account of short weighted goods (compelling the consumers to lose several hundreds of crores of rupees every year), adulteration, profiteering out of real or manipulated scarcities, excessive rates of credit and anti-social and illegal practices. There is no doubt that the existing wholesale and retail trading system needs a radical overhaul. The task of completely demolishing and replacing it by an alternative set-up may appear to be formidable and not without serious consequences; yet its stricter regulation and strengthening of the public distribution system, under co-operative organisations and in collaboration with the public sector agencies, in the sphere of marketing and distribution, can provide the necessary counter-checks on the basis of competition and performance. A permanent halt in the upsurge of prices can be secured on the basis of a better balance between demand and availability.

The success of the Public Distribution System is dependent on its efficiency, its coverage and strength to procure essential goods in quantities which are adequate to the requirements of the common man in urban and rural areas at reasonable prices and in a dependable manner. The Public Distribution System, to be effective, must be managed with business prudence. It must provide for an effective assembling of goods and their proper storage at convenient points. Moreover, it must command sufficient financial and managerial resources to meet the challenges it may have to face. The Twenty-Point Programme acquires importance and relevance in this context, for it outlines a sensible approach to the problems of the implementation of the various recommendations of the earlier expert committees and Plans. The focus now is on programmes of action for the benefit of, particularly, the economically weaker sections.

Objectives of Procurement

The objectives underlying Government's procurement and distribution policies, especially in regard to foodgrains, are:

(a) to ensure that the producers receive reasonable prices and continue to have adequate incentives for increasing production;

(b) to ensure that consumer prices are stabilised and, in particular, the interests of the low-income groups are safeguarded; and

(c) to build up adequate buffer stocks of foodgrains to ensure both the objectives mentioned above.

Today the Public Distribution System comprises of over 2.33 lakh fair price shops/co-operative shops and covers a population of about 46.36 crores. There are over 6,000 outlets for soft coke, over 1.66 lakh retail outlets for kerosene and 29,000 retail outlets for controlled cloth, of which 75 per cent are in rural areas. Timely releases of levy sugar and free-sale sugar and increased allocations of foodgrains through the Public Distribution System, especially in deficit areas, have had a salutary effect on the price situation. There is, moreover, a model scheme for distribution of selected essential commodities taken up for implementation in Delhi. Disregarding the distinction between urban and rural areas, it guarantees assured supplies of selected essential commodities with the help of public voluntary organisations and co-operatives. Ward committees, composed of housewives from each mohalla or locality, are expected to maintain contacts with consumers, disseminating information to them about the stock arrivals and attending to their grievances, as also inspecting the retail outlets to prevent adulteration and use of inaccurate weights and measures. Similar schemes are being considered in Uttar Pradesh, Kerala and Tamil Nadu. Since it is the policy of the Government to assign a key role to co-operatives in the public distribution system, co-operatives should take the initiative and organise themselves to shoulder the tasks to be assigned to them.

Integrated Co-operative System

On the organisational side, for the procurement of food-grains at the apex level, the Food Corporation of India (FCI)

is available. Ideally, the FCI is expected to work in close collaboration with the co-operative marketing structure for procurement in different States, right from the taluka level upwards. Structurally, primary co-operative marketing societies (taluka level) are integrated with the village level primary service societies, although the degree of integration has been uneven and varies from State to State in terms of affiliation. However, it is possible and desirable to get all the village level primaries affiliated to the taluka level marketing co-operatives. This will help to develop profitable business relations to the mutual advantage of both the parties on procurement as well as on distribution account. This is what we expect of an integrated co-operative structure. Such a structure may be associated, on the basis of strength and efficiency, with the proposed Public Distribution System to make it most economical and responsive to the needs of vast sections of the community. This integration was also envisaged for the similar structure obtaining in the consumer sector of the co-operative movement. The Rural Credit Survey Report (1954) had dreamt of such an integrated co-operative system, functioning on the basis of self-reliance. However, its recommendations bearing on this integrated approach have unfortunately been ignored, with the result that the marketing and consumer sections of the Indian co-operative movement have lagged behind. Had the objectives and the Plans been faithfully implemented, an efficient and integrated co-operative system would have been available for the effective enforcement of the Public Distribution System.

It is encouraging now to find that the need for revitalising the marketing and consumer structure of the co-operative movement has been well recognised to ensure the success of the procurement and distribution schemes proposed to be enforced by the Government. In the co-operatively weak States, there is a move to merge the apex marketing federation with the apex co-operative consumer federation (*e.g.*, Assam). In other States, at appropriate levels, managerial and operational integration is envisaged between the marketing co-operatives and the consumer co-operatives.

This is necessary to link procurement and distribution operations which, in totality, constitute the Public Distribution System

Quantitative Progress

Despite their limitations, however, marketing and consumer co-operatives have recorded sizable quantitative progress in the field of procurement and distribution of essential consumer items. In 1974-75, there were 20 State marketing co-operative federations, with their national federation at the top (NAFED).* About 3,300 primary marketing co-operatives were functioning at the *mandi* level, to which were affiliated most of the 1.62 lakh village primary service societies. This entire structure is available for procurement and marketing operations under the Public Distribution System. Produce worth Rs. 1,200 crores was handled by marketing co-operatives in 1974-75 and this figure is expected to soar to Rs. 1,900 crores by 1978-79. In rural areas, marketing co-operatives are distributing essential consumer goods like foodgrains, soap, kerosene, sugar, cloth, matches, etc. Non-agricultural consumer products are being secured by them through their linkage with urban wholesale co-operatives. The latter are also being helped to procure supplies of these products through their State and National Federations under the scheme formulated by the Central Government, which requires producers and manufacturers of essential items (textiles, edible oils, sugar, match boxes, etc.) to supply them on a levy basis. In this manner, in 1974, consumer goods worth Rs. 400 crores were distributed through the co-operative marketing structure in rural areas.

Consumer Co-operatives

In the urban sector, there are 14 State level consumers' co-operative federations with their national federation at the top (N.C.C.F.). There are 424 wholesale consumers' stores affiliating 14,000 primary consumers' societies and

* NAFED—National Agricultural Co-operative Marketing Federation.

working through a network of 2,640 branches. There are, in addition, 171 department stores. This structure also handled trade of the value of Rs. 400 crores in consumer goods during the same period. The sales of non-controlled commodities formed 25 per cent of the total turnover. (See Tables 1 and 2.)

In the Fifth Plan, consumer co-operatives will have a crucial role to play in the distribution of essential consumer goods and articles of mass consumption. The Plan provides for an outlay of Rs. 10.50 crores under the Centrally-sponsored and Central sector schemes. An equivalent outlay has also been provided for under the State sector of the Plan.

At present, policies pertaining to the procurement and distribution of foodgrains are implemented by the Government through the FCI, which has been procuring foodgrains through primary marketing societies and/or primary service societies, wherever possible. There is no uniformity about this practice. In many States, the State level marketing federation has been bypassed on grounds of economy, thus adversely affecting structural integration and discipline in the co-operative marketing sector. Therefore, at the operational level, the problem of inter-relationship between the public sector agency and the co-operative agency, as also between one co-operative and another, has come to the fore.

This problem is not without solution, for the FCI is expected to respond effectively to the need for building up a strong, efficient, and integrated co-operative system without cutting across its inbuilt discipline and the rules of business of the co-operatives amongst the co-operatives themselves.

It is highly desirable that co-operative marketing and consumer co-operative structures are revitalised and strengthened to make the Public Distribution System really effective. Within the co-operative sector, the complementary nature of the respective roles of the marketing and consumer structures also needs to be emphasised and acted upon. Conditions, moreover, will have to be created by State

Table 1

PRIMARY CONSUMER CO-OPERATIVE STORES
OVERALL PROGRESS

Position at the end of the year	1970-71	1971-72	1972-73	1973-74 (Provisional)	1974-75 (Provisional)
1	2	3	4	5	6
1. No. of stores	13156	12883	13400	13890	14275
2. Membership (lakhs)	34.84	34.31	35.24	37.49	39.22
3. Share Capital (Rs. crores)					
(a) Total	8.69	8.82	9.44	9 98	10 44
(b) Government Contribution	1.68	1.53	1.65	1.64	1.77
4. Working Capital (Rs. crores)	37.62	39.40	44.01	47.47	47.91
5. Value of Total Sales effected during the year (Rs. crores)	145.16	144.37	182.68	234 64	254.30

Source: "Consumer Co-operatives in India." NCCF, p. 39, New Delhi (1976).

Table 2

WHOLESALE/CENTRAL CONSUMER CO-OPERATIVE STORES. OVERALL PROGRESS

Position at the end of the year	1970-71	1971-72	1972-73	1973-74 (Provisional)	1974-75 (Provisional)
1	2	3	4	5	6
1. No. of Stores	383	383	387	396	424
2. Membership					
(a) Individual (Lakhs)	9.34	9 55	10.56	11 46	12 45
(b) Others	18414	20832	19491	19206	19315
3. No. of branches (Nos.)	2379	2153	2316	2399	2640
4. Share capital (Rs. crores)					
(a) Total	11.20	12 18	13.07	14.20	15 01
(b) Government Contribution	7.43	8.25	8.94	9.32	9 91
5. Working Capital (Rs. crores)	50 74	53 93	56.42	65 94	64.03
6. Value of Total sales effected during the year (Rs. crores)	142.52	132 81	168.72	248.76	303.28

Source: "Consumer Co-operatives in India," NCCF, p. 38, New Delhi (1976).

sector agencies to facilitate such a process because, schematically, such agencies may be performing a directional and co-ordinating function.

Today, various problems are experienced at the operational level. As far back as 1964, the Conference of Registrars of Co-operative Societies and representatives of the apex marketing federations had recommended that co-operatives should be used as an implementing agency for Government buffer stock schemes. In 1965, the Agricultural Prices Commission had recommended that purchases should be made through co-operatives in co-ordination with the FCI. The whole public purchases system was expected to function on a dual purpose basis:

(a) Government procurement and administration of foodgrains on a levy system; and

(b) Co-operatives and the FCI making additional purchases on commercial basis, whenever feasible.

Variations in State Policies

Actually, there are a great many variations in State Governments' policies in regard to the role of co-operatives vis-a-vis the FCI, which have adversely affected the inter-relationships among the co-operatives themselves. For example, in Madhya Pradesh, the procurement of paddy/rice was made on Government account by way of levy on licensed millers and traders. The levy system was in the nature of a price support operation. The FCI functioned as the agent of the State Government in the whole State (except the Indore Division). At the middle and lower levels, co-operatives functioned as its sub-agents. In Orissa, the apex marketing federation was the second agent of the State Government on par with the FCI. In Rajasthan, procurement was effected exclusively through co-operatives which were appointed as sub-agents of the FCI. In Tamil Nadu, the position was similiar, with a levy imposed on rice mills. In Karnataka, the FCI was, till recently, the main agent for procurement. Now a State Food and Civil Supplies Corporation has taken over its functions. The remaining

structure, associating middle and lower level co-operatives as sub-agents, exists as it was. The State apex marketing federation has been kept out of the picture. In Maharashtra, the apex marketing federation is the sole procurement agent of the State Government for the monopoly purchase of jowar and paddy/rice throughout the State. The apex marketing federation has appointed its affiliated co-operatives as sub-agents for procurement. Recently, there has been a change in the policy because of a more comfortable position on the agricultural production front. The FCI is not in the picture, so far as this State is concerned. In West Bengal and Kerala, the levy was on producers and collected through departmental agencies. In Assam, the FCI plays a major role in the monopoly procurement of paddy/rice on behalf of the State Government. Certain districts, however, have been exclusively given to the apex marketing federation. In Bihar, the procurement was by way of levy imposed on millers, both in the private and co-operative sectors. In Andhra Pradesh, the FCI was the main agent collecting paddy/rice from all types of rice mills. In Punjab, the State marketing federation was functioning side by side with the FCI.

Co-ordination

Thus, it will be seen that the policies and structural arrangements for procurement of foodgrains varied from State to State. In some States, the levy system was in operation while in some others monopoly purchases were prescribed. In a majority of States, however, the FCI was working as the principal agent of the State Government which appointed marketing and service co-operatives as its sub-agents along with private middlemen. In some areas, the FCI and the State Marketing Federation functioned either side by side in the same market or separately in the specifically allotted districts of the State.

It is inconceivable that the public sector agency should enlist the support of outdated indigenous private middlemen to fulfil the targets of procurement. As observed by the Foodgrains Policy Committee in their report, "even stronger

than its link with the private trade should be that of the FCI with the marketing co-operatives in different States." This can be seen in the inter-relationship that subsists between the co-operatives and the State commodity boards in Great Britain, Australia or Japan. A strong co-operative system, working in close collaboration with the public sector agencies, can provide the best support to the policies and programmes of the Government pertaining to the Public Distribution System And they can be economical too.

Second Look at Management

The working of the public sector agencies themselves also needs a second look in order to keep the cost of procurement and distribution under control. The Economic Times Research Bureau, in its assessment of the performance of the FCI, has observed that "the producer and the middlemen have benefited to a large extent; but the ultimate consumer has hardly gained from the FCI's operations over the last 6 or 7 years. What is worse, economies of large-scale operations are hardly seen in the overall performance of the FCI, for overheads and cost of procurement per tonne have been rising. They are in fact higher than the cost of procurement in the private sector."

This makes out a case in favour of a strong self-reliant integrated co-operative structure working in close partnership with public sector agencies in order to make the Public Distribution System economical and efficient.

Procurement of other articles of mass consumption would appear to be less problematic. The levy sugar accounts for a big chunk of the total output of sugar in India. If the total stock of sugar is taken over under the Public Distribution System at a fair price from sugar mills, this problem would become more manageable. Similarly, mass consumption articles like textiles, soaps, drugs, baby foods, etc., fetch a fairly fat margin to the intermediaries. The Public Distribution System can take over the distribution of these items through co-operative retail outlets in urban and rural areas at comparatively lower prices. Specific product areas, considered important to meet the

basic needs of the weak and vulnerable sections of the population, have now been identified. These areas cover about seventeen categories of essential items, which will be taken up for priority distribution.

A percentage of production has been earmarked for the co-operative sector. This is around 10 per cent to 20 per cent in the case of such commodities as baby foods, textiles, dry battery cells, razor blades, tyres and tubes of cycles, rickshaws and scooters.

Essential commodities are now being classified into A, B and C categories for the purpose of intensive control and formulation of commodity budgets. However, though it is practically difficult to plan for all the essential commodities—as many as 60 are covered by the Essential Commodities Act—the list can be further rationalised. Five items—foodgrains, sugar, standard cloth, vanaspati and other edible oils, cheap fuels like kerosene and soft coke—have been classified under category A, and a production plan for these items is intended to be prepared. The items under category B include paper and stationery, essential drugs, washing soap, matches, cement for public sector projects and for low- and middle-income housing and slum clearance schemes, yarn for weavers and diesel oil for agriculture. The items in C category are baby foods, tyres and tubes of cycles, footwear, scooters and tractors.

Classification

This classification of essential items may be convenient for purposes of administration and planning. However, it would be highly desirable to evolve appropriate structures for their procurement and distribution. A central corporation for these essential commodities, with regional branches for storage and distribution, may be necessary to secure co-ordination with the marketing and consumer co-operatives already functioning in rural and urban areas. The NCCF, which is the national federation of consumer co-operatives, may also have to be associated with the procurement and distribution of some of these commodities. A certain share of the production is expected to be delivered by private

industries on preferential terms to the agencies in the Public Distribution System.

Moreover, the unused production capacity of some of the existing consumer goods industries is expected to be allotted to national and State level consumer co-operative federations either on joint basis or separately. Production of such consumer items as bread, cotton and woollen hosiery goods, washing soap, detergents, tooth paste and tooth brushes, refined edible oils, razor blades, kitchen stores, household utensils, crockery, polythene bags and blended tea may be allotted to co-operative consumer organisations to enable them to improve their trading margin and to exercise cost control and quality control over these items.

The task of evolving and establishing a perfect Public Distribution System is stupendous and calls for simultaneous action on the part of policy-makers, both at the Centre and in the States. Ministries in charge of finance, agriculture, industries, civil supplies, trade and commerce—all are concerned with the Public Distribution System in one form or another. Hence the need for co-ordination. The enforcement of the Public Distribution System does not, however, mean that other trading organisations would be excluded from the market. The Public Distribution System will only secure control over the supply and distribution of some essential consumer goods with a view to keeping the price level under control. There would still be need of small dealers and retailers because, obviously, co-operatives would not be available throughout the country. With effective control over essential items at production points and wholesale levels, the association of small dealers and retailers, whatever their acquisitive instincts, is not likely to be a problem. Their capacities and skills in any case would be limited. A major part of the Public Distribution System will have to be operated by an integrated co-operative system working under the overall direction of the public sector agencies created specially for the purpose. If both these wings of the Public Distribution System work efficiently, economically and with business prudence, objectives underlying this system would be substantially achieved.

20

2

LAND FOR LANDLESS

S. B. DEODHAR

Land reform measures have been initiated in India since Independence to introduce changes in the structure of rural society, which had inherited its agrarian structure, including its institutions, traditions and a system of values, from the past. For rapid economic development, the crucial position of agriculture and the urgency of achieving decisive increases in agricultural production were soon realised during the era of planning in the country. There were certain features of the rural system which inhibited the process of activisation of the agricultural performance, such as the system of intermediaries, insecure tenancy, small fragmented holdings, excessive inequalities in land-ownership, etc. Besides reforming the land-man relationship, the land reform measures have been designed to cover a whole range of institutional reforms in the rural society.

Land-Man Relationship

The relationship between population and land in the country is of crucial importance, for a rapidly increasing population has generated growing pressures on land resources for increased output of food and other agricultural products. The adverse trend in this relationship is expressed in terms of deteriorating land-man ratio. According to the All-India Report on Agricultural Census, the total area of land under cultivation is 162 million hectares and the per capita land-holding has declined from 0.44 hectares in 1921

SHRI S. B. DEODHAR is Member of Faculty, Tata Institute of Social Sciences, Bombay.

to 0.30 hectares in 1970-71. A noteworthy feature of this ratio is that not much has been or could be added to land under cultivation even though there has been a tremendous increase in population. As the total population has increased, the population in rural areas has also increased.

Census of India 1961	Total	439.23 Million
	Rural	360.3 Million
	Urban	78.9 Million
	Percentage of urban population to total:	18
Census of India 1971	Total	548.16 Million
	Rural	438.9 Million
	Urban	109.1 Million
	Percentage of urban population to total:	19.9

Agriculture has been and continues to be the primary economic activity in India, for more than 80 per cent of the population lives in rural areas, and it continues to rely heavily on agriculture. This is evident from the classification of economic activities of working population in India in 1961 and 1971.

Census of India 1961 — *Total Population*: 439.23 Million

Workers: 188.6 Million

Per cent to total Population: 43.

Rural	*Urban*
162.1 Million	26.4 Million
per cent to total rural population: 45.1	per cent to total urban population: 33.5

Census of India 1971 — *Total Population*: 548.16 Million

Workers: 180.4 Million

Per cent to total Population: 32.9

Rural	*Urban*
148.4 Million	32 Million
per cent to total rural population: 33.8	per cent to total urban population: 29.3

The economic classification of workers shows that 69.5 per cent and 69.7 per cent of the workers in 1961 and 1971 respectively were engaged as cultivators and agricultural labourers. (See table below.)

	1961		1971	
Agriculture	*(In millions)*	*Per cent to Total Workers*	*(In millions)*	*Per cent to Total Workers*
Cultivators	99.6	52.8	78.2	43.4
Agricultural Labourers	31.5	16.7	47.5	26 3
Total	131.1	69.5	125.7	69.7

Besides highlighting the excessive pressure of population on land, the foregoing details about the worsening land-man ratio and the predominance of agriculture as an economic activity for the working population tell us little about the distribution of land among the rural population. The data on distribution of holdings by size presented by the All-India Report on Agricultural Census confirm that the distribution of cultivated land is very uneven. According to the Report, the total number of operational holdings in India (during the reference year 1970-71) was 70.5 million, out of which slightly more than 50 per cent are marginal and sub-marginal—that is, less than 1 hectare—and the total area under these holdings is just about 9 per cent of the total area under cultivation. As against this, about 31 per cent of the total area under cultivation is covered by large-sized (more than 10 hectares) operational holdings, accounting for just 4 per cent of the total. The glaring differences between the two averages (all-India average size of holdings—2.3 hectares—and the average size of large holdings—18 hectares) sufficiently shows the inequality of distribution in land. (See Table on page 116.)

Size of Holding (Hectares)	*No. of Holdings ('000s)*	*Per cent to Total*		*Area of Holdings (Million Hectares)*		*Per cent to Total*
(1)	(2)	(3)		(4)		(5)
Marginal						
Below 0 5	23,178	32.9		5.4	9 p.c	3 4
0.5 — 1	12,504	17.7		9 1		5 6
Small						
1 — 2	13,432	19 1		19.3		11.9
Semi-Medium						
2 — 3	6,722	9.5		16.4	18.5	10 1
3 — 4	3,959	5.6		13.6		8.4
Medium						
4 — 5	2,684	3.8		11 9	29.8	7.4
5 — 10	5,248	7.4		36.3		22.4
Large						
10 — 20	2,135	3.0		28.5		17.6
20 — 30	401	0.6		9.3		5.8
			(50.1)		31.0	
30 — 40	120	0.2		4.2		2 6
40 — 50	45	0.1		2.1		1.3
50 and above	65	0.1		6.0		3.7
	70,493	100.0		162.1		100.0

Source: All-India Report on Agricultural Census, September 1975.

Policy Goals and Enforcement

In this connection, it may be recalled that the agrarian structure, which Independent India inherited, was semi-feudal in character, as a result of which the means of agricultural production were largely concentrated in the hands of a few to the detriment of the whole rural society. The increasing pressure of population on land, coupled with the fact of the uneven pattern of land ownership, impelled planners to initiate land reform measures which aimed at

the removal of such institutional and motivational impediments to the modernisation of agriculture as were inherent in the agrarian structure inherited from the past. At the same time, these reforms aimed at reducing gross inequalities in the agrarian economy stemming from unequal rights in land.

The following policy goals were therefore spelt out:

(i) To remove such impediments in the way of agricultural production as arise from the character of the agrarian structure and to create such conditions as would assist in the speedy evolution of an agrarian economy with high levels of efficiency and productivity; and

(ii) To establish an egalitarian society and eliminate social inequalities.

To achieve these policy goals, the following programme of action has been initiated:

(i) To abolish intermediary tenures;

(ii) To confer ownership rights, ensure security of tenure and regulation of rent;

(iii) To impose a ceiling on land-holdings;

(iv) To rationalise the record of rights in land which, besides being out of date, frequently failed to reflect the rights of tenants, share-croppers and other categories of insecure land-holders; and

(v) To consolidate land holdings.

Abolition of Intermediary Tenures: The system of intermediaries between the State and the land-tiller provided ample scope for exploitation It acted as a motivational impediment and left no inducement for better farming and increased production. Spadework in regard to the enactment of tenancy laws bearing on the abolition of the intermediary titles was done during the First Five-Year Plan. By the end of October, 1976, tenures—known variously as zemindaris, jagirdaris, inams, etc.—were abolished all over the country. As a result, more than 20 million tenants have been brought in direct contact with the State, and about 16 mil-

lion acres of waste, fallow and other categories of land have vested in the State.

Tenancy Rights. While the abolition of the intermediary system eliminated the topmost layer of land parasites, it did not by itself bring land to the actual tiller of the soil, mainly because it was difficult to get straightforward answers to such questions as. Who cultivates the land? Who controls the use of land? Who owns the land? The most serious obstacle in the way of tenancy reforms is the unwritten character of the arrangements between these different interests in land The practice of tenancy-at-will provided no security to tenants, who were required to pay exorbitantly high rents Tenancy laws have, therefore, been enacted to provide security of tenure to tenants and to regulate rents between one-fifth and one-fourth of the gross produce in all the States except Punjab, Haryana, Tamil Nadu and the Andhra area of Andhra Pradesh. In Punjab and Haryana, fair rent has been fixed at 33½ per cent of the gross produce, in Tamil Nadu it varies between 33½ per cent and 40 per cent; while in Andhra Pradesh, it fluctuates between 25 per cent and 30 per cent. No tenant can now be evicted from land except under a specific provision of law and under certain conditions The right of resumption, exercisable by landlords within a limited period, has now expired almost all over the country, and exists in a limited form only in Assam, Bihar, Haryana and Punjab. In West Bengal, the land held by share-croppers can be resumed by the landlord up to a maximum of 3 hectares, including the land held otherwise by the landlord. Even so, before exercising this right, the landlord has to leave a minimum of one hectare as absolutely non-resumable. Steps are being taken for the complete abolition of even these last vestiges of the right of resumption.

The primary purpose behind these laws is to confer ownership rights on tenants in cultivating possession. In 13 States, the laws provide for the conferment of ownership rights. In another three or four States, tenants have been provided with the option to purchase land from their

landlords by paying a premium which is not beyond their paying capacity. The available data indicate that around 4 million tenants have so far acquired ownership rights over 3 7 million hectares of land.

Ceiling on Land: The case for the fixation of a ceiling on agricultural land-holdings rests on the equity consideration of reducing wide inequalities in land-ownership The imposition of ceiling has two aspects:

(i) Fixation of an upper limit for future acquisition of land; and

(ii) Fixation of an upper limit on present land-holdings.

Both these aspects aim at correcting the imbalance of control over land. In rural areas, the pattern of ownership of land is the most significant determinant of the distribution of both income and power. For this reason, the ownership control and income from land have to be redistributed in response to pressures for socio-economic changes prompted by the ideology of egalitarianism.

It may be pointed out here that re-distribution of land from the large to the small and marginal farms may raise total output and employment owing to larger availability of labour per unit of land among smaller farms.[1] It may further be pointed out that land reform is essentially a redistributive process and calls for an accelerated effort towards effective and purposeful redistribution of land because of a relatively higher proportion of landless labour among agricultural workers.

The foremost challenge of rural development is the extreme poverty of many who live on land, whose holdings are very small or who do not own any land at all. Moreover, the concept of a ceiling on agricultural land-holdings and the distribution of surplus land takes into account the impact of these measures on productivity and employment. Evidence on the effects of varying farm sizes indicates that the productivity of land (defined as yield per hectare) is generally higher in small holdings than in larger holdings.

1. World Bank Faper on Land Reforms—July 1974.

The main reason for this is that smaller holdings are worked with bigger inputs of labour than are large holdings.[2]

Historical Background

The 1959 Nagpur Resolution of the Congress Party on Land Reforms declared that the States must enact legislation relating to ceiling on land-holdings, that surplus land should vest in the panchayats and should be managed through co-operatives of landless workers. Since the early 'sixties, the ceiling legislation has been enacted and implemented in all the States. As a result, "about 964,800 hectares have so far been declared surplus after scrutiny of the statements submitted by substantial holders, out of which about 640,000 hectares have been taken possession of by State Governments and 464,176 hectares are reported to have been finally distributed.[3] The area actually reported to have been distributed came to 1.125 million acres, which was about 0.3 per cent of the total cultivated land in India.[4] According to the World Bank Paper on Land Reforms (July 1974), approximately two million acres were taken over under the ceiling legislation, though only about one million acres of surplus land were actually given to landless labourers. However, this particular reform has not achieved much success in reducing inequalities in land-ownership. The All-India Report on Agricultural Census has revealed the distorted pattern of the ownership of operational holdings. The blame lay with the provisions of the Acts, mental reservations on the part of the State Governments and lethargy and hesitation in implementation. The ceilings were recommended by the Planning Commission and imposed by State Governments at too high a level for surplus land to emerge for redistribution.[5] The size of ceiling varied from 15 to 40

2. "Ceiling on Agricultural Holdings—Its Economic Rationale" —C. H. Hanumantha Rao, *Economic and Political Weekly*, June 1972.
3. Fourth Five-Year Plan, pp 179-80.
4. "Land Reform, Welfare and Economic Growth". B. S. Sidhu.
5. *Ibid.*

standard acres of land for an individual and above 60 acres for a family of more than 5 members. As a result, transfers of land on a considerable scale took place with a view to circumventing the ceiling on land-holdings. The ceiling laws enacted by the States had serious limitations, for adequate provision was not made for disregarding transfers and partitions subsequent to the date of announcement of the decision to impose a ceiling on land-holdings (except in States like Kerala, Maharashtra, Uttar Pradesh, Assam, etc).

Later, on the basis of the recommendations of the Chief Ministers' Conference held in July 1972, the Government of India issued a set of guidelines to amend and enact land ceiling laws and fix the focus on lowering the ceiling, removing exemptions, and plugging loopholes.

The new national policy laid down the following land ceilings for a family of five, consisting of the husband, wife and three children.

(i) Ten to eighteen acres of double-cropped irrigated land;

(ii) Twenty-seven acres of single-cropped irrigated land; and

(iii) Fifty-four acres of dry land and orchards.

The other most significant feature of this new policy was that the ceiling laws were to be given retrospective effect from a date not later than 24th January 1971, so that transfers of land effected to avoid the impending ceilings might be set aside.

New Policy

This policy was more specifically spelt out at the Chief Ministers' Conference held on June 5-6, 1976, which, *inter alia,* recommended:

(i) Inclusion of State laws in Schedule IX of the Constitution and examination of further constitutional and legal measures necessary to insulate land reform laws from judicial review;

(ii) Strengthening of the administrative and judicial machinery to ensure time-bound implementation;

(iii) Examination of legal measures necessary for severely restricting, if not altogether dispensing with, *benami* transactions;

(iv) Examination of the present procedures with a view to simplifying them and making them more effective;

(v) Sample surveys and random spot-checking in the field of work done;

(vi) Enactment of legislation, wherever necessary, for recording the rights of tenants, etc., without waiting for completion of survey and re-settlement operations. Some provision for mutation should be made where it does not exist;

(vii) Examination of procedures for the re-settlement and survey of land with a view to curtailing the time taken; and

(viii) Enactment of legislation for the restoration of illegally occupied community land.

By now, all the States have enacted laws with a view to implementing the ceiling on land-holdings. Only Nagaland and Meghalaya have not enacted such laws, because of the fact that there is communal ownership of land in these two States. Steps are also being taken to bring the Sikkim land reforms in line with the national policy. In order to ensure that land ceiling measures are effectively implemented, action has been initiated to bar the courts from adjudicating on any disputes that may arise from their enforcement.

As a result of the various measures taken by the State Governments, about 3 million acres of land were declared surplus by the end of October 1976, of which about 2.05 acres were actually taken over. Of these, a little over 1.2 million acres were distributed among 4·5 million allottees. (See Table 1 showing State-wise progress.)

Land Records: Sometime ago, a directive was issued by the Centre, calling upon all the States to declare 1976-77 as the Land Records Year, to launch an all-out drive to ensure that land records were brought up to date and that the names of actual cultivators were properly recorded. In the past, efforts in this regard had suffered from lack of funds, from inadequate trained personnel and from opposition of vested interests Following the Central directive, however, renewed and intensified efforts were made to bring up to date the record of rights and ensure that, besides recording ownership, the rights of tenants, share-croppers and other insecure holders were also reflected in it. Already, there is a marked increase in the allocation of funds for this purpose. Against the proposed outlay of Rs. 187 38 lakhs in 1975-76, the amount expected to be spent in 1976-77 is of the order of Rs 331.30 lakhs—an increase of a little over 45 per cent over the proposed outlay in the preceding year.

It may be pointed out here that tenancy, share-cropping and similar other arrangements were mostly entered into by word of mouth. This contributed very substantially to the insecurity of tenants, share-croppers and other forms of holders of land, who were under the dual clutches of the landlord and the moneylender. Bound as these poor rural folk were in all kinds of bondage to the landlord-cum-moneylender, they found it all but impossible to come forward and demand that their rights be recorded. Legislative action was therefore initiated in most of the States to provide a statutory basis for the recording of the rights of these categories of agricultural labour either during the re-survey and re-settlement operations or otherwise through *ad hoc* measures. All these facts account for the great importance of proper and up-to-date land records.

Consolidation of Land-holdings: Legislative action has been initiated in almost all the States of the Union to consolidate the scattered land-holdings of a land-holder and prevent further fragmentation of land. In Gujarat, Madhya Pradesh and West Bengal, State laws provide for consolidation on a voluntary basis following an application to that

Table 1

STATEWISE PROGRESS OF IMPLEMENTATION OF CEILING LAWS AS ON 30TH SEPTEMBER 1976
(STATE AND UNION TERRITORIES)

States	*No of returns filed*	*No. of cases disposed of*	*Area declared surplus (in acres)*	*Area taken possession of (in acres)*	*Area distributed (in acres)*	*No. of beneficiaries*
1	2	3	4	5	6	7
Andhra Pradesh	4,38,466	3,32,445	4,36,498	55,098	22,229	21,838
Assam	9,263	1,074	5,24,837	5,08,447	2,77,405	2,00,279
Bihar	45,152	36,931	1,91,911	1,94,000*	93,000	N.A
Gujarat	48,454	The implementation of Gujarat Ceiling Laws could not start in time because of Court ruling and steps for speedy implementation are now being taken by the State Government.				
Haryana	22,592	N.A.	N.A	51,000**	18,915**	N.A.
Himachal Pradesh	2,689	2,684	80,601	72,821	6,373	5,986
Jammu & Kashmir		The earlier legislation was repealed and a new one has been enacted only in August 1976.				
Karnataka	1,44,049	36,414	87,766	18,600	10,173	1,616
Kerala	41,051	33,561	98,363	42,134	21,346	31,716
Madhya Pradesh	2,21,048	2,13,664	2,52,966	59,780	2,884	1,457
Maharashtra	90,557	85,511	3,09,650	2,28,787	2,28,787	N.A.

1	2	3	4	5	6	7
Manipur		The revised ceiling laws came into force only in August 76.				
Nagaland		The land is owned by the community and as such no ceiling legislation is necessary.				
Meghalaya		Legislation has been drafted and will be submitted to GOI for approval.				
Orissa	44,242	2,993	72,391	47,434	47,103	34,706
Punjab	36,595	32,796	14,337	3,272	3,272	1,350
Rajasthan	44,661	43,431	5,89,000*	4,85,000*	2,79,000*	N.A
Sikkim		A programme for survey and settlement of agricultural land has been undertaken in Sikkim.				
Tamil Nadu	45,928	42,282	44,535	236	85,000*	N.A.
Tripura	2,625	2,625	3,577	87.000*	N A.	N.A.
Uttar Pradesh	62,270	40,309	2,17,151	1,46,964	95,638	93,293
West Bengal	49.615	31,795	75.993	46,033	33,581	52,602
D.N. Haveli	11,200	2,576	6,562	1,181	N.A.	N.A.
Delhi	1,579	118	677	N.A.	N A.	N A.
Pondicherry	306	205	1,282	660	583	676
Total	13,62,342	9,41,414	30,08,097 (acres)	2,48,447 (acres)	12,25,289 (acres)	4,45,519

* Relates to the position as on 31st October, 1976

** These areas, which became available under the old Act, later vested in the State Government and were distributed as a result of amendment to the Act in May, 1976

Note: Prior to emergency, the total area of land declared surplus was 3,06,348 acres and the area distributed was 1,28,534 acres.

effect by land-holders. In other States, however, consolidation has been made mandatory by law. By the end of September 1976, more than a quarter of the cultivable land (a little over 34 million hectares) had been consolidated. In Punjab, Haryana and Western Uttar Pradesh, this consolidation of holdings has been completed. Care, however, was taken to ensure that the record of rights was rationalised before any consolidation operations were finalised. Along with the measures outlined above, the States and Union Territories have gone on distributing large tracts of waste, fallow and other categories of land that can, with some effort, be brought under the plough It is estimated that more than 16 million acres have thus been distributed over the past 15 to 20 years

But the task of reform does not end with distribution of surplus land· it just begins. A considerable portion of the surplus land is poor in quality and calls for some development before use. Since the allottees are poor and belong generally to scheduled castes and scheduled tribes, they must have access to inputs and services before they can make any worthwhile use of the land allotted to them. It is because of its awareness of this fact that the Fifth Five-Year Plan has a scheme of Rs. 25 crores for providing short-term assistance of Rs. 250 per hectare of land by way of grant, and a long-term assistance of Rs. 500 per hectare, half of which is by way of loan and the other half by way of grant.

The rural environment is thus being re-made as a result of rapid changes on many fronts. The success of land reform measures would largely depend on adopting and implementing a comprehensive and an integrated approach to the re-organisation of agriculture and re-structuring of rural society. Government no doubt is a major instrument of change; but its achievement depends largely on the co-operation and definite commitment of the people to realise an accelerated pace of rural transformation. A new village community has to be created with new social and economic institutions and with new relationships, values, occupational

patterns—all conducive to achieving a dynamic and progressive rural India.

Summing-up

In view of the fact that about 80 per cent of India's population lives in villages, rural development will have no meaning at all unless it is directed towards lifting them up from the economic morass in which they have floundered for centuries. The many and varied land reform measures implemented since independence have been somewhat sporadic and half-hearted. The action programme following the blueprint for economic regeneration announced on 1st July 1975 has achieved much. The parasitic intermediaries can no longer prey upon the rural community. Ownership rights are being conferred on cultivating tenants, and action has been initiated to ensure security of tenure and regulation of rent. To make land reforms meaningful for the rural folk, a ceiling has been imposed on agricultural holdings, and much has been done to distribute surplus land among the landless. In order to ensure that the rights of small and marginal farmers, of the hitherto landless labour, of share-croppers and similar other categories of workers are safeguarded, substantial Plan outlays have been provided to rationalise the record of rights.

All this is to the good. But a greater dedication and a greater sense of commitment must emerge before these reforms fashion a new breed of a renascent rural community.

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LAND RESTORATION IN TRIBAL AREAS

S. N. DUBEY
RATNA MURDIA

Scheduled Tribes constitute about 7 per cent of India's population. They are concentrated in Madhya Pradesh, Orissa, Bihar, Gujarat, Rajasthan, Maharashtra, West Bengal, Andhra Pradesh, and Assam. About 89 per cent of the total tribal population in the country resides in these States. The distribution of scheduled tribes population in different States and Union Territories is given in Table I.

Scheduled Tribes are placed in the most disadvantageous position in Indian society. Only 3 per cent of them live in urban areas, while 28 per cent of the general population lives in urban areas. In terms of education, less than 10 per cent tribals in the country are literate, while 27 per cent of the persons in the general population of the country are literate. In terms of economic participation, 33 per cent of the total scheduled tribes workers were engaged as agricultural labourers in 1971, as against only 25.76 per cent of the total workers in the country. Further, only 9.4 per cent of the total tribal labour-force is employed in the non-agricultural sector against 31.37 per cent of the total work-force in the country. However, about 57 per cent of the scheduled tribes work-force is employed as cultivators against 43 per cent of the total work-force engaged in a similar occupation. Even in this respect,

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DR S. N. DUBEY is Professor of Social Work at St. Louis University, U S A

MISS RATNA MURDIA is Research Officer, Tata Institute of Social Sciences, Bombay.

tribals are not better off than the rest of the population because of the following reasons:

(a) The average size of land-holding in tribal areas is comparatively small; and

(b) The quality of land in tribal areas is poorer than in non-tribal areas. Thus, the per acre output in tribal areas is lower than in non-tribal areas.

Over the years, however, the percentage of cultivators in tribal population has decreased from 68.15 per cent in 1961 to 57.6 per cent in 1971. But the percentage of agricul-

Table I

PERCENTAGE OF DISTRIBUTION OF SCHEDULED TRIBES POPULATION IN THE STATES TO THE TOTAL SCHEDULED TRIBES POPULATION IN THE COUNTRY

	States/Union Territories	*Total S. T Population*	*% of S. T. Persons in the State to S. T Population in the Country*
	INDIA	3,80,15,162	—
1.	Madhya Pradesh	83,87,403	22.06
2.	Orissa	50,71,937	13.34
3.	Bihar	49,32,767	12.98
4.	Gujarat	37,34,422	9.82
5.	Rajasthan	31,25,506	8.22
6.	Maharashtra	29,54,249	7.77
7.	West Bengal	25,32,969	6.66
8	Andhra Pradesh	16,57,657	4.36
9	Assam	16,06,648	4.23
10	Meghalaya	8,14,230	2.14
11.	Nagaland	4,57,602	1.20
12.	Tripura	4,50,544	1.19
13.	Arunachal Pradesh	3,69,408	.97
14	Manipur	3,34,466	.88
15.	Tamil Nadu	3,11,515	.82
16.	Kerala	2,69,356	.71
17.	Karnataka	2,31,268	.61
18.	Uttar Pradesh	1,98,565	.52
19.	Himachal Pradesh	1,41,610	.37
20	Dadra and Nagar Haveli	64,445	.17
21.	Laksha Dweep	29,540	.08
22.	Andaman and Nicobar Islands	18,102	.05
23.	Goa, Daman and Diu	7,654	.02

tural labourers in the scheduled tribes work-force has gone up from 19.73 in 1961 to 33 in 1971—may be because of the change in the definition of "worker" in 1971. The percentage of tribal labour-force engaged in the non-agricultural sector has come down from 12.12 per cent in 1961 to 9.4 per cent in 1971. The distribution of the scheduled tribes labour-force on the basis of economic activities (*i.e.*, cultivation, agricultural labour, and participation in non-agricultural sector) is given below:

Table II

	Percentage	
	1961	1971
Cultivators	68 15	57 6
Agricultural Labourers	19.73	33.0
Other Workers	12.12	9.4
Total	100.00	100.00

Land Alienation

One of the reasons for the decline in the number of cultivators in the tribal work-force during the last decade is that tribal lands have alienated to non-tribals. The phenomenon of land alienation in tribal areas is not new; and the consequences of land alienation from tribals to non-tribals have been noted from time to time. Measures undertaken by the British in India before Independence and by the elected Government after Independence to check land alienation on a large scale have been frequently referred to in our policy documents. The British Government in India passed the Scheduled Districts Act, 1874, as one of the measures to protect the tribals from the exploitation of non-tribals, and provided for the demarcation of the Scheduled Districts to administer tribal areas. The Government of India Act, 1935, on the recommendation of the Simon Commission, provided for the classification of the districts, on the basis of the predominence of tribal population, into "Partially Excluded" and "Excluded" areas.

Amendment of Tenancy Laws

The State Governments, which are responsible for the management and regulation of land tenures, have either amended the existing tenancy legislation or promulgated executive orders covering the Scheduled Areas with a view to controlling the alienation of tribal lands to non-tribals. These measures can be chronologically grouped into two periods:

(a) After Independence, but prior to the declaration of national emergency in June, 1975; and

(b) After the emergency as part of the Twenty-Point Programme.

We shall now briefly review the legislative provisions for the prevention of land alienation from tribals to non-tribals enacted by different States after Independence.

In Madhya Pradesh, which has the highest concentration of tribal population in the country, section 165 of M.P.L R.* Code, 1959, provides protection to scheduled tribes against alienation of lands. Under section 4 of the Madhya Bharat Scheduled Area (Allotment and Transfer of Lands) Regulation, 1954, no member of a scheduled tribe, except with prior permission of the Collector, can transfer, by way of sale, lease or otherwise, any land to any person other than to a member of a scheduled tribe.

In Orissa, which has the second largest concentration of scheduled tribes population, the Orissa Scheduled Areas Transfer of Immovable Property by Scheduled Tribes Regulation 2 of 1956 and Sections 22 and 23 of the Orissa Land Reform Act, 1960 restrict the transfer of lands from scheduled tribes to members of non-scheduled tribes in Scheduled and Non-Scheduled Areas respectively.

In Bihar, which has the third largest concentration of tribal population, the Scheduled Areas Regulation, 1969 provides protection to scheduled tribes living in scheduled areas against the alienation of their lands. It further pro-

* Madhya Pradesh Land Revenue Code.

vides that if, at any time, it comes to the notice of the Deputy Commissioner that transfer of land belonging to a *raiyat*, who is a member of a scheduled tribe, has taken place in contravention of Section 46 or any other provision or by any fraudulent method, he may evict the transferee from such lands without payment of compensation and restore them to the transferor or to his heir or heirs.

In Gujarat, which has the fourth largest concentration of tribal population, Section 73A of the Bombay Land Revenue Code, 1879, prohibits the transfer of occupancy held by a tribal cultivator in scheduled areas and in areas where survey settlement has not yet been introduced, without the permission of a competent officer. In case such transfer takes place unauthorisedly, the transferee is liable to be summarily evicted and the land returned to the original occupant.

In Rajasthan, which occupies the fifth place in terms of concentration of tribal population, protective legislation was enacted in 1956, prohibiting transfer of land by way of sale, gift, mortgage or otherwise to any person who is not a member of a scheduled tribe.

Maharashtra, which comes sixth in the concentration of tribal population, has amended the relevant parts of the Maharashtra Land Revenue Code, 1966, which was the main legislation containing provisions preventing alienation of tribal lands to non-tribals without the permission of the Collector, by an ordinance issued on 6th July 1974 to provide for the restoration of tribal lands alienated in contravention of Sub-section 2 of Section 36 of the Maharashtra Land Revenue Code, 1966. The benefit of restoration has been extended to cover the whole State and is not limited to certain scheduled and notified areas. Following the ordinance, the State Government enacted another legislation called the Maharashtra Restoration of Lands to Scheduled Tribes Act (Act No. XIV of 1975), which provides for the restoration of tribal lands, alienated legally or illegally, from 1957 in and outside of the scheduled and notified areas.

In West Bengal, which ranks seventh in the concentration of tribal population, Chapter 11A of the West Bengal Land Reforms (Amendment) Act, 1965, provided that a holding by a member of a scheduled tribe can be transferred only to another scheduled tribe person as a complete, usufructuary mortgage for a maximum period of seven years. The tribal land can also be sold to a member of a scheduled tribe or to a non-scheduled tribe with the previous permission in writing from authorised revenue officers.

Reasons for Alienation

In spite of these restrictions on the transfer of lands from scheduled tribes in different States, a large acreage of tribal lands has continued to be alienated. The main reasons for this alienation may be classified in the following three categories.

(a) Loopholes in the tenancy legislation;

(b) Slackness in the implementation of restrictive provisions; and

(c) Socio-economic factors.

(a) *Loopholes in Legislation*: In the first category of reasons of alienation fall the following factors:

(1) Limitation of the period within which a tribal should apply for the repossession of the alienated land after which the tribal loses claim to it. For example, in Maharashtra, according to Sub-section 3 of Section 36 of the Maharashtra Land Revenue Code, 1966, transfers of tribal lands made in contravention of Sub-section 2 of Section 36 would be void if an application by a tribal is made within two years from the date of transfer. Besides, the applicant will have to pay the arrears of land revenue or any other dues which formed a charge on the holding. Thus, the first limitation on the operation of Sub-section 2 of Section 36 was often exploited by non-tribals, who dissuaded the tribal transferor from filing an application for restoration of land. After two years, the non-tribals claimed the tenancy over the transferred land. A large number of transfers took place in this manner. The second limita-

tion very frequently discouraged a tribal from applying for restoration since he did not have the money to pay for the arrears of revenue and other charges on his holding.

(2) Protective legislative provisions were applicable in some States only to scheduled tribes living in Scheduled Areas or notified areas and did not apply to tribals living outside these areas. For example, in Maharashtra, Sub-section 2 of Section 36 of the M.L.R. Code, 1966, was applicable only to areas notified by the State Government. Similarly, in Andhra Pradesh, the Scheduled Areas Land Transfer Regulation (Amendment Regulations I and II) of 1970 and 1971 was not applicable in the Andhra region of the State to

(a) Lands under the occupation of a non-tribal prior to 1917 when the regulation was first passed; and
(b) Lands for which non-tribals had been inducted by the landholders prior to the notified date under the Estate Land Act, 1908, etc. Thus, large chunks of land have been transferred from tribals to non-tribals in areas outside the scheduled and notified areas.

(3) Although protective measures were provided in tenancy laws, a number of loopholes were left unplugged (*i.e.*, a number of conditions were specified under which the lands of tribals—living within Scheduled Areas or outside of them—could be transferred to non-tribals). For example, under the M.L.R. Code, 1966, a tribal could lease his land to a non-tribal if he produced a medical certificate that he was physically incapable of cultivating the land. The land leased under this provision, which was frequently utilised, was claimed by a non-tribal under the Bombay Tenancy and Agricultural Land Holdings Act, 1948, which provided for proprietorship of lands cultivated by tenants. In the Act, a tenant is given the right to purchase the land, which he has been cultivating, at a reasonable price determined by the Agricultural Lands Tribunal. This provision was used by big landowners to grab tribal lands. They managed to get their land on lease for a fixed period and later claimed

the status and rights of tenants under this Act, and bought their lands. In Bihar, Sections 46, 47, 49, 240, 241 and 242 of the Chhota Nagpur Tenancy Act, 1908, provide for the transfer of Adivasi lands under certain conditions to non-tribals. Section 46 of the Act permits the alienation of Adivasi lands, if it is done as (a) simple mortgage or lease for a period of 5 years; (b) *Bhigutbanda* mortgage not exceeding 7 years in the case of an individual and not exceeding 15 years in the case of a registered co-operative society. Under Section 47, tribal lands can be sold in the execution of a decree for arrears of loans and the recovery of land improvement and agricultural loans under certificate proceedings. Under Section 49, an occupancy *raiyat* can transfer his holding for any reasonable and sufficient purpose (*i.e.*, charitable, religious, educational, industrial, irrigational, etc.). These provisions have been utilised for the alienation of tribal lands.

(4) Transfer of land from one member of a scheduled tribe to another has been allowed in the protective laws in most of the States. As a result of this, large chunks of land have passed from poorer tribals to well-to-do tribals.

(b) *Administrative Slackness*: In the second category of reasons, the following seem more common:

(1) In most States, transfer of tribal lands, with the permission of the competent revenue authority (*i.e.*, Collector or Sub-Divisional Officer) has been provided in the protective legislation. Very often the conditions under which permission should be granted have not been specified, and they have been left to the discretion of the competent revenue authority The Collectors or SDOs have in many cases granted permission in a routine manner without carefully going into the matter. Consequently, a large number of cases of land alienation have taken place.

(2) In some States, even prior to the declaration of emergency, Collectors were empowered to institute *suo moto* enquiries to examine the cases of illegal transfers, and in genuine cases pass orders to restore alienated lands.

This provision, prior to the emergency, was infrequently used by revenue authorities in many States. One of the implicit purposes of this provision was to prevent future alienations. Since this provision was sparingly used, the non-tribals continued to grab tribal land without any fear.

(3) In some States, though transfer of tribal lands to non-tribals was illegal, the sale of land was registered by the Sub-Registrar involving tribal lands. As a result, a large number of transfers took place, which could have been easily checked at the level of registration of the sale deeds.

(4) In some States, non-tribal transferees posed themselves as members of scheduled tribes and bought the lands belonging to tribals This is something which can be easily checked by a vigilant administrative machinery since the list of scheduled tribes in each State is available to check the *bona fides* of such claimants. But officers did not carefully examine cases and allowed such transfers.

(5) Acquisition of tribal lands in the name of non-tribal boys, who are declared as tribals after the execution of bogus adoption deeds in the name of the transferee, has also been reported. Village officers invariably act as accomplices in these deeds of transfer.

(6) Encroachment is another mode of dispossessing tribals from their lands by non-tribals, who take advantage of the lack of land records.

(c) *Social and Economic Causes*: In the third category, the following factors seem common:

(1) A lack of awareness among tribals and non-tribals of the legislative provisions prohibiting transfer of lands from a scheduled tribe person to a non-scheduled person. A study conducted by the present writers in Maharashtra reveals that out of 64 tribal transferors, 70.31 per cent did not know about the restrictions placed by the State Government on the transfer of tribal lands. Similarly, out of 64 transferees, 20.31 per cent did not know about the legislative provisions included in Section 36 of the M.L.R. Code, 1966.

(2) A second important factor in this category is the poor economic conditions of the tribals, who are forced to borrow money or grains from moneylenders and shopkeepers charging exorbitant rates of interest, sometimes 5 times the borrowed money or grains. It has been reported that much of the money a tribal borrows is spent on feeding his family during the rainy season when he has no employment, and on social and religious ceremonies. Since tribals cannot obtain credit for these non-productive purposes from co-operative and commercial banking institutions, they are forced to go to moneylenders who, however, charge very high rates of interest. As the tribal's economic condition is generally very weak, he is often unable to pay his debts which continue to pile up, thus forcing him to sell or mortgage his land to the moneylender.

(3) The innate sense of honesty, morality and even of gullibility among the tribals is another important factor which is responsible for the alienation of their lands. A tribal will not break his promise no matter how serious its consequences may be to him. Secondly, he places blind faith and trust in those who play an important role in his life, be he a moneylender or a mountain-god. This renders him vulnerable to the unscrupulous designs of non-tribal moneylenders who cheat him by making false entries in the account of his debts, in measuring or weighing grain which is often given towards the payment of debts by the tribal, in settling final debts, etc. Consequently, a tribal, once in debt, is always in debt.

(4) Another reason for land alienation is the long-standing fear of Government agencies which the tribal harbours from his past experience. He would rather part with his land to the unscrupulous moneylender than go to the Government to seek redress against the unethical and corrupt practices of his creditors. Coupled with this fear is his inability to face up to the long and complicated legal procedures often involved in seeking redress against his exploiters. Besides, he does not have much confidence in Government agencies, and is afraid that they will not be fair in granting justice to him since they are often suscep-

tible to considerations offered by non-tribal moneylenders, shop-keepers, contractors and others, who act as brokers between Government agencies and the people.

(5) Psychologically, a tribal seems to share the "here and now" kind of perspective on life which places greater emphasis on the immediate gratification of desires. Consequently, he excessively indulges in such expensive habits and practices as drinking, celebration of festivals, ceremonies, etc., and even sells his land to satisfy them.

Measures to Prevent Alienation

Since June 25, 1975, when the President declared national emergency, and the announcement of the Twenty-Point Programme, most of the State Governments have amended existing tenancy laws or enacted new ones which include one or more of the following measures to prevent land alienation and to achieve restoration of tribal lands:

(1) Amendment of existing land laws or enactment of new ones:

(a) To plug loopholes which were used to grab tribal lands;

(b) To make them comprehensive so that they also cover tribals living outside Scheduled Areas;

(c) To make them retroactive notwithstanding any other legislation;

(d) To simplify legal proceedings involved in the handling of land alienation cases;

(e) To tone up the administrative machinery for speedy handling of land cases;

(f) To make tribals wards of the State so that the latter may legally protect the interests of the former; and

(g) To include penal provisions to deal with future occurrences of land alienation.

(2) Amendment of the existing laws or the enactment of new ones to end economic exploitation of the tribals by the non-tribals:

(a) In this respect, amendments have been effected in the legislation controlling the loaning activities of private moneylenders in tribal areas; and

(b) Abolition of *bonded labour* by the enactment of a Central legislation.

In the area of land legislation, State Governments have declared land alienation by way of sale, mortgage or by possession under Tenancy Acts from a tribal to a non-tribal null and void. For example, the Government of Rajasthan made important amendments in the Rajasthan Tenancy Act, 1955, in respect of usufructuary mortgage in September, 1975. The maximum permissible period of usufructuary mortgage has been reduced from ten to five years, after the expiry of which the land will revert to the original tenant without making any payment towards the mortgage debt. In February, 1976, another amendment was added to the Rajasthan Tenancy Act, according to which a mortgagee, in the event of failure to return land to the tribal mortgagor, would be criminally liable to imprisonment up to one year or fine up to Rs. 1,000, or both.

The West Bengal Government is contemplating an amendment to the West Bengal Land Reforms Act, 1965, which would ban transfers of land belonging to scheduled tribes except in cases covered by clauses (b), (c) and (cc) of Sub-Section 1 of Section 14C.

The Orissa Government has amended the Orissa Regulation 2 of 1956 with effect from December 19, 1975, to effect the following changes:

(1) The period for obtaining tenancy on scheduled tribes lands by a non-tribal is now 30 years instead of 12 years, which was the period earlier; and

(2) Rigorous imprisonment for a minimum term of 2 years or fine to the extent of Rs. 2,000, or both, may be imposed on a person who is guilty of unauthorised occupation of any immovable property belonging to a member of any scheduled tribe. These provisions are applicable to scheduled tribes living in Scheduled Areas. However, their extension to non-Scheduled Areas is also being contem-

plated by way of necessary amendments to the Orissa Land Reforms Act, 1960.

In Bihar, the Indian Limitation Act has been amended and the period of limitation for accrual of title by adverse possession in respect of land belonging to scheduled tribes has been extended from 12 years to 30 years.

In Maharashtra, Government has enacted the Maharashtra Land Revenue Code and Tenancy Laws (Amendment) Act, 1974, which prohibits alienation of Adivasi lands and provides for the restoration of lands alienated in contravention of Sub-section (2) of Section 36 of the M.L.R. Code, 1966, or "any other law, for the time being in force " The amendment further provides that no Civil Court shall have jurisdiction to settle, decide or deal with any question which is required to be settled under Section 36 of the M L.R. Code, 1966. Only Collectors, Commissioners or the Revenue Tribunal can settle such questions. The amendment has also amended the Bombay Tenancy and Agricultural Lands Act, 1948, according to which no non-tribal shall have the right to purchase any land leased to him by a tribal The Maharashtra Restoration of Lands to the Scheduled Tribes Act (No. XIV of 1975) provides for the restoration of lands to the original Adivasi landholders which have gone into the hands of non-Adivasis between April 1, 1957, and July 16, 1974, as a result of validly effected transfers, including exchanges.

In Madhya Pradesh, the State Government has proposed a Bill which provides for the restoration of tribal lands alienated to non-tribals during the last 30 years. It also provides for a penalty against the non-tribal transferee for illegal possession of tribal land.

Among the laws to end economic exploitation of the tribals, the debt relief legislation is certainly very important. After the declaration of emergency, State Governments have amended existing legislation regulating moneylending activities such as interest rates, disposal of outstanding debts, licensing of moneylenders operating in tribal areas, setting up of debt relief courts, etc. For example, in Rajasthan

the Scheduled Debtors Act, 1975, places a moratorium of one year on the recovery of debts from scheduled tribes debtors such as marginal farmers, small farmers agricultural labourers, etc. Further, the Rajasthan Scheduled Debtors (Liquidation of Indebtedness) Act, 1976, provides for total liquidation of debts of certain categories of debtors—marginal farmers, artisans and agricultural labourers with income below Rs. 2,400 per annum. Some amendments have also been made in the law relating to moneylenders operating in the tribal areas of the State. These amendments provide for abatement of suits of those moneylenders who did not have a licence at the time of advancing loans to members of scheduled tribes. The law further provides for summary dismissal of suits in which the requirements laid down for the maintenance of account books have not been properly satisfied by moneylenders. In Bihar, the Moneylenders Act, 1938, has been amended, requiring every moneylender to declare the date and amount of loan advanced by him to a tribal along with details of interest, repayment of loan, etc. If a moneylender fails to do so within the specified period, it is to be presumed that he has not advanced any loan and his claim will not be entertained by any Court or Conciliation Board. The Bihar Moneylenders (Regulation of Transaction) Act, 1939, has also been amended, empowering the Court to fix suitable instalments and dates for the repayment of debt. Similarly, several other States have enacted or amended legislation to make it more stringent and enforceable. The rest had already had a comprehensive legislation on this subject. For example, the Andhra Pradesh Moneylenders Regulation, 1970, provides that:

(a) All interest outstanding as on 1-1-1957 is deemed to have been discharged, and only the outstanding amount of the principal is to be paid; and

(b) Where twice the amount of the principal has already been paid, the entire debt is deemed to have been discharged.

Policy Issues

The following are the main issues involving policy:

(a) Total ban on the transfer of tribal lands;

(b) Transfer of lands only from one tribal to another tribal;

(c) Lack of clear understanding and perspective on this subject; and

(d) Retroactive application of legislation for the purpose of restoration of lands to tribals alienated to non-tribals and the rehabilitation of non-tribals from whom the land is restored.

(a) *Ban on Transfer of Land*: It is reported that some State Governments have placed a total ban on the transfer of lands belonging to scheduled tribes to non-tribals and to others This policy has proved to be disadvantageous to the tribals in the following ways:

(1) Those tribals, who wish to move to towns and cities and are not interested in staying in rural areas, are forced to remain there since they cannot sell their lands.

(2) The provision that they can sell their lands to other tribals does not help very much because of the following reasons:

(a) Not many tribals are willing to buy land or have money to buy it. They are thus forced to sell their lands at less than their market value and so suffer a financial loss.

(b) Even when the tribal wants to sell a part of his land to get money to develop the remaining land in his possession so that he can get a better return from it, this restriction acts as a damper against such a move. He, therefore, is forced to go to a moneylender or to a credit institution to borrow money.

(c) The tribals, who do not wish to pursue cultivation as an occupation, have either to sell their lands at a very low price or stick to cultivation even though they are only marginally interested in it.

Obviously, this policy seems to have created numerous problems. It will therefore be useful to have second thoughts on the total ban on the sale of tribal lands and allow tribals to sell their lands in specified circumstances and for specified reasons. The Collectors may be given powers to review these cases and to give a decision whether a tribal should be allowed to sell his land or not. Some guidelines may be set out to help the Collectors to make these decisions.

(b) *Transfer from Tribal to Tribal*: A second issue relates to the legislative provisions which most of the States have made to the effect that a tribal can buy the land of another tribal. This policy seems, without qualification, to be a retroactive step in regard to other policies, particularly of socialism, adopted in our country. The current policy assumes that all tribals are equally poor. This is obviously not correct. There are many tribals who, from the point of view of local standards, are well-to-do. If transfers are continued to be allowed from one tribal to another without any qualifications, capitalist tribal farmers will grow in tribal areas, who may perpetuate the economic exploitation of their poor counterparts.

(c) *Lack of Perspective*: A third policy issue refers to a lack of clear understanding of the land alienation problem in tribal areas and a lack of a well-defined perspective governing the policy contents to deal with this problem. First of all, we do not know the extent of the problem. No State Government has undertaken a comprehensive survey covering all the villages to determine the extent, causes and modes of land alienation in tribal areas. Whatever counting or survey has been done gives, at best, a general assessment of the problem.

In regard to a lack of a well-defined and meaningful perspective governing the policy of prevention of land alienation in tribal areas, one finds that the approach is largely legal, and it ignores the social, cultural and inter-organisational components involved in the problem. Hence, the approach is remedial rather than preventive. Data are now

coming in from various States, which show that the lands restored to tribals have again been alienated to non-tribals. Further, as reported in some districts in Maharashtra, the tribals have refused to cultivate the restored lands for several reasons:

(i) They do not wish to break the bond of trust and confidence between them and the transferees which has governed their relationship for decades. They hold that taking back the lands is morally and ethically wrong.

(ii) Some of them have refused to accept the restoration because of fear of reprisals from transferees, who are in most cases influential persons in the village or in the area.

(iii) The relationship between a tribal and his non-tribal creditor is, in most cases, pervasive and diffuse. One way to characterise this relationship is in terms of "patron and client" in which the non-tribal is the patron and the tribal the client. The non-tribal not only advances loans to the tribal but also provides him with many other kinds of help—help in organising marriage and religious ceremonies, brokerage with governmental agencies, such as Forest, Police and Revenue Departments, protection against other outsiders, etc. Since the tribal cannot find an alternative to this total dependence on the non-tribal, he is reluctant to break his relationship with the moneylender.

This dimension of the problem assumes importance for the following reasons:

(i) Application for restoration should be filed by the transferor and he should also be willing to cultivate the restored land.

(ii) He should also act as an informant in detecting *benami* and other types of informal transfers of lands.

Since his relationship with the creditor is diffuse, he is unwilling to do either of these two things Without paying attention to this aspect of the land problem, our legal approach to land alienation and land restoration in tribal areas will not be successful, which is already becoming apparent

at some places. What is, therefore, required is a more broad approach based on the recognition of the above factors. This approach should include:

(i) Recognition of the economic condition of the tribal and a provision for credit for productive and non-productive or consumption purposes on easy terms with the least delay;

(ii) A more humane approach to tribals in day-to-day dealings, which should reflect our sincerity, informality and warmth. This is essential to develop a relationship based on trust and confidence;

(iii) Development of employment opportunities which augment their income, particularly during the period when agricultural operations are suspended;

(iv) A vigorous educational campaign to inform the tribals about their rights and privileges;

(v) A vigilant and effective enforcement agency to provide protection to tribals against harassment and exploitation by non-tribals;

(vi) Development of consumers' co-operatives and marketing co-operatives, managed by honest workers to end exploitation by the middlemen; and

(vii) Organisation of a leadership training programme to prepare local youths to undertake propaganda bearing on the privileges of, and the protection available to, tribals.

(d) *Retroactive Application*: The fourth issue refers to the rationale behind the retroactive application of legislative provisions relating to the restoration of tribal lands. The issue arises out of the punitive nature of this application. It appears that a major justification for this punitive approach is that the transferees have broken the law, and they should suffer the consequences thereof. Secondly, it is argued that since transferees are well-to-do, restoration will not hurt them economically. It appears that both these assumptions are indefensible. The first argument is weak because restoration is sought in many States not only in cases of illegal

transfers but also in cases in which all existing legal formalities were complied with. For example, in Maharashtra, all legal transfers of Adivasi land from April 1, 1957, have been declared null and void under Act XIV of 1975. Even in cases where transfers have taken place in contravention of certain provisions of law, one wonders whether this is sufficient to attract punitive policies in the following situations:

(i) In a large number of cases, tribals as well as non-tribals were unaware of the existence of restrictive provisions of the Act governing land alienation. One might say here that "ignorance is no excuse". But in a country, particularly in tribal areas, where 85 per cent of the people do not know the three R's and where the laws passed are hardly ever publicised, the above rule cannot be applied, except cruelly and inequitously.

(ii) Laws enacted retroactively may breed contempt for and a sense of disillusionment with the social and political systems among the people, and may well erode the foundations on which our well-intentioned political leaders are vigorously trying to build the edifice of a new social and economic order.

It might therefore be desirable to review this policy on the following lines:

(i) Where a non-tribal possesses less than an economically viable land-holding, land from him should not be retrospectively restored. The tribal transferor should be given, particularly if he has an uneconomic holding, preference in the allotment of surplus land.

(ii) In other cases, suitable compensation should be paid to the transferees.

(iii) A vigorous propaganda should be launched to publicise these laws in tribal areas. Gazette notifications of these laws are not enough, unless we want them to be known only to our Secretaries, Deputy Secretaries, Under Secretaries and Collectors in the Revenue Department. Instead, the help of such voluntary organisations in tribal areas as youth clubs and co-operative societies should be

sought. Initially, leaders from these and other organisations should be educated about the legal provisions protecting tribal land which, it is feared, are not known to a large number of them. Tribals active in village panchayats should also be similarly educated and their help should be actively sought. Besides, Revenue authorities should undertake publicity work along with their other work and responsibilities. Mass meetings should be conducted by Collectors, Assistant/Deputy Collectors and their subordinate officers to explain these provisions to tribals as well as to non-tribals.

(iv) The Central Government should, after taking into account the various factors operating in different States, fix the period for the retroactive application of legislation for the purpose of restoration of transferred lands in tribal areas. This will ensure that different States do not take different periods for reopening the cases from far back in the past, which they tend to do, it appears, in order to win an impressive record of work.

Administrative Issues

Among the administrative issues, the following are the important ones:

(i) Unwillingness of the tribals to accept restored lands and to cultivate them themselves;

(ii) Declaration of restoration as *ultra vires* of Article 226 of the Constitution (this has now been rectified by a constitutional amendment);

(iii) Lack of survey and settlement records; and

(vi) Multiplicity of legislation covering different periods and types of land alienation.

Let us discuss these issues in some detail.

The unwillingness of the tribals to cultivate restored land has been reported by several State Governments. For example, in the Nasik district of Maharashtra, 30 per cent of the cases (N—339) identified as illegal transfers had to be filed because Adivasis refused to cultivate the lands per-

sonally. Similarly, in the case of valid transfers under Act XIV of 1975, cases decided till now have shown that restoration orders could be passed only in 56 per cent of the cases, while 44 per cent of them had to be filed for the above reason. The question arises: what should be done in these cases? An inquiry into the causes of unwillingness would reveal that these tribals do not consider it moral to break the contract, even though the law protects them. Secondly, they feel insecure or are afraid of reprisals from the non-tribals if they seek the return of their lands. The matter here boils down to educating the tribal about his rights and to make available to him the necessary protection against retaliation by non-tribals. If these steps are taken, we may hope to move towards a more satisfactory solution of this problem

In some of the States (*e.g.*, Maharashtra and Andhra Pradesh), non-tribal transferees have, under Article 226 of the Constitution, challenged the validity of the retroactive application of legislation to effect restoration of alienated lands in tribal areas on the plea that it violates the fundamental rights of the transferees and the rule of law contained in Article 14 of the Constitution. The High Court of Andhra Pradesh held the retroactive application of the Regulation of 1971 *ultra vires*. In Maharashtra, the Bombay High Court granted several stay orders against restoration effected under Act XIV of 1975. These decisions of High Courts have seriously affected the vigour and enthusiasm of the officials implementing the Acts. Secondly, these decisions have provided an opportunity to non-tribal transferees to bully the tribals and thus discourage them from taking any further legal steps for the restoration of their lands. It has been suggested by many officers that the subject of land restoration should be included in the Ninth Schedule of the Constitution so that restoration cases are not reviewed by the High Courts. (This has now been done.)

Multiplicity of legislation governing the problem of land alienation and restoration in some of the States also creates administrative problems. In Maharashtra, for example, the

benefits of restoration are available to tribals under different laws, covering different periods in time; *e.g.*,

(1) Lands validly transferred under the provisions of various tenancy laws between April 1, 1957, and August 15, 1967, can be restored under the Maharashtra Restoration of Lands to Scheduled Tribes Act (Act XIV of 1975).

(2) Transfers made between August 19, 1967 to June 3, 1968, in contravention of the provision of any other laws, would be treated as invalid transfers and dealt with under Section 36 of the M.L.R Code 1966.

(3) Transfers made between August 15, 1967, and June 6, 1968, in contravention of Section 36(2) of the M.L.R Code, 1966, but without contravening provisions of any other law, would be treated as valid transfers and will be dealt with under Act XIV of 1975, etc.

These laws cause considerable confusion among, and complications for, village and circle level officers in reviewing cases, and they tend to put aside the reviews if they find any plausible reason because laws are so complicated. In several other States, the situation is similar. It may be helpful to consolidate the provisions in the area and enact one comprehensive law with a view to simplifying its implementation.

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3

RURAL HOUSING FOR THE WEAKER SECTIONS

G. D. SHARMA

The first charge on an individual's earnings is food, without which the sustenance of life and continuing good health are not possible. The second charge, obviously, is clothing, followed by shelter as the third essential item, spending on which has to be provided for in a family's budget. Since shelter improves an individual's productive capacity, its importance was recognised and a specific provision of Rs. 12 crores was made for it in the Fourth Five-Year Plan. (This has been considerably stepped up in the Fifth Five-Year Plan.) It was only when the Prime Minister included housing for the weaker sections of the community in her Twenty-Point Programme that speedy and concerted efforts were made by Union and State Governments to provide shelter to the masses.

Although shelter is among the first three necessities of life, it has been beyond the reach of the weaker sections, because of the inflated land prices that have prevailed during recent years and the constantly rising cost of construction.

It is obvious, therefore, that a poor family cannot possibly contribute anything to the construction of its own shelter out of its own meagre earnings, unless its earnings are increased. That is why the Government has to step in and provide such assistance as it can within the limitations of its own budget with a view to providing shelter, which is

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DR. G. D. SHARMA is Project Officer, Association of Indian Universities, New Delhi.

inextricably linked up with the productive capacity and efficiency of the weaker sections.

The problem of rural housing received Government's attention as far back as 1957, when it drew up a Village Housing Scheme, providing that:

(i) Socio-economic surveys may be carried out in groups of 4 to 6 villages with a view to preparing layout plans for them. The building of houses may then be taken up in stages so that each village is re-moulded in 8 to 10 years;

(ii) Co-operatives should be organised for the manufacture of building materials to be used in village construction programmes;

(iii) Assistance in the form of loans to the extent of two-thirds of the construction cost, subject to a maximum of Rs. 2,000 per shelter, may be given;

(iv) Loans for the improvement of existing shelters may also be made available in accordance with the standards laid down by State Governments;

(v) Land may be acquired for streets, community buildings, new house sites and for the purpose of thinning out the density of population; and

(vi) Research in the use of local building materials should be encouraged and centres should be set up to train persons in the use of these building materials.

Under this scheme, 3,700 villages were selected during the Second Five-Year Plan and socio-economic surveys of about 2,000 villages were completed. Layout plans for 1,600 villages were also prepared and loans amounting to Rs. 3.6 crores were sanctioned for the construction of about 15,400 shelters.

The actual implementation of the scheme, however, suffered from many limitations. These are:

(a) By selecting isolated villages rather than groups of 4 to 6 villages, the very purpose of the scheme to

provide houses for the weaker sections was defeated;

(b) Available funds were utilised for the construction of, and improvements in, a small number of houses and not for improving land sites and making provision for such community needs as streets, drainage, schools and playgrounds; and

(c) Rural housing programmes were not co-ordinated with schemes for backward community development, water supply, roads, public health and education

The Third Five-Year Plan, therefore, laid emphasis on co-ordination among the various agencies for the implementation of rural housing schemes. The Plan also stressed that, in the selected villages under the 1957 Rural Housing Scheme, preference should be given to villages—

(i) Situated in flood-affected areas;

(ii) With a substantial population of backward classes and agricultural labourers;

(iii) Where the consolidation of holdings has been completed and/or programmes for increasing agricultural production have been successfully implemented;

(iv) Whose inhabitants are or will be affected by the construction of dams or by the implementation of schemes formulated in consequence of natural calamities;

(v) Which have a concentration of artisans; and

(vi) Which show evidence of co-operative and healthy self-help, and have programmes for the development of community sites and the construction of houses for Harijans and other backward communities.

For the first time, the Third Five-Year Plan made a substantial provision of Rs. 5 crores to secure house sites for landless agricultural workers. It stated:

"It is essential that priority should be given to the provision of land for landless workers. Waste lands and

> Bhoodan lands should be used for this purpose to the extent possible. In some congested villages, while emphasising the obligations on the village community, it may be necessary to supplement its contribution by providing land needed for extension of village sites through acquisition of land for house sites for agricultural labourers"

By the end of the Third Five-Year Plan, of the total allocation of Rs. 5 crores, Rs. 4.22 crores were spent from the Planning Fund and Rs. 0.72 crores from the LIC (Life Insurance Corporation) Fund. However, the scheme did not make much progress, as is evident from the Planning Commission's remarks in the Draft Fourth Five-Year Plan:

> "A study of its working and some quick field surveys suggest that States give a low priority (to housing) and do not provide adequately for it in their annual plans. The machinery for a proper administration of the scheme was often absent, and there was little co-ordination with complementary programmes for the improvement of rural areas. Many houses remain incomplete."

In 1972-73, the Fourth Plan, therefore, introduced the Central Special Welfare Scheme, which provided for:

(a) Allotment of house sites for landless agricultural workers on the basis of 100 per cent grant to the States and Union Territories for the cost of acquisition of land for this purpose; and

(b) Grant of Rs. 150/- per house site for the development of land.

Out of the total allocation of Rs. 48 crores for housing, the Central Government set aside Rs. 12 crores for the implementation of this scheme in the Central sector. This amount was estimated to have been spent in 1972-73 and 1973-74, and about half a million house sites are stated to have been provided.

The Fifth Plan has provided Rs. 49.73 crores for house sites. Of this amount, Rs. 15.44 crores was spent in 1975-76,

Rs. 10.20 crores is expected to be spent in 1976-77, while the balance expenditure of Rs. 24.09 crores is proposed to be incurred between 1977-79. Under the rural house sites programme, house sites are to be provided free of cost to those families of landless workers who do not already own a house site or a house or a hut on land of their own. The scheme, moreover, envisages a cash assistance of Rs. 150 for the development of each house site, including the clearing and levelling up of land. The estimated number of families eligible for the allotment of house sites is 15.6 million, of which about 11.36 million have been identified in rural areas. (The latter figure represents 10.66 per cent of the total rural households.) Of these 11.36 million houseless families, a little over 7 million were allotted house sites by the end of September 1976—roughly about 62 per cent.

A great deal has thus been done in a number of States to develop and distribute house sites to the rural poor. In Andhra Pradesh, for example, house sites, including 652 developed house sites, were allotted to 6.57 lakh families by 30 September 1976, while in Gujarat, 2.68 lakh house sites, including 60,467 developed house sites, were handed over to landless labourers. By the end of the same period, Bihar had developed and handed over 12,178 house sites and distributed a total of 7.15 lakh house sites. Karnataka distributed 6.81 lakh house sites among the rural population. An interest-free loan of Rs. 1,000 was also made available to those who wanted it to enable them to build low-cost houses on the sites allotted to them. The loan is to be repaid over a period of 20 years.

In Madhya Pradesh, a little less than 8 lakh house sites were allotted to rural houseless persons, who were also supplied, free of cost, such building materials as bamboos, poles, earth and stones to enable them to build their own houses on a self-help basis. By the end of September 1976, 35,237 house sites were allotted to landless labour in Orissa, including 9,366 developed sites. A scheme for developing house sites and houses for 5 lakh houseless families was

also launched and such building materials as bamboo and timber were supplied free to enable the rural poor to build their own houses on a self-help basis. In the Punjab, 3,03,770 house sites were allotted, including 6,807 developed house sites, while in Tamil Nadu 5.23 lakh house sites, including 38,950 developed house sites, were distributed among landless and houseless labourers.

Other States and Union Territories also have done fairly substantial work in this direction. In Jammu & Kashmir, for example, a sum of Rs. 3,11,250 has been placed at the disposal of the relevant authorities for the development of 20,075 house sites. Of these, 1,733 have already been allotted. In addition, 1,600 families, which were rendered houseless by reason of loss of Chhamb, have been allotted *basti* sites. The total number of families eligible for allotment of house sites in the State comes to 18,000.

In Rajasthan, however, where the problem happens to be somewhat acute, 8.54 lakh house sites were allotted by the end of September 1976 to marginal and small farmers, rural artisans and landless scheduled castes and scheduled tribes. Of these, 3,836 were developed sites. A loan Rs. 9.94 crores, interest on which is completely subsidised by the State Government, was sanctioned to enable 22,791 persons —86 per cent of whom belonged to scheduled castes and scheduled tribes—to build houses. O this amount, Rs. 3.56 crores have been disbursed; 3,307 houses have been completed, while 4,933 are under construction. In Tripura, out of 42,650 homeless persons, 20,915 have been settled on Government land. In West Bengal, 3,02,990 house sites were distributed by the end of September 1976, benefiting, among others, scheduled castes and scheduled tribes, who numbered 1,28,959 and 46,728 respectively. Free house sites have also been allotted to 2,10,514 persons in Haryana.

The most impressive performance, however, is that of Karnataka, which has identified 7,26,000 familes eligible for allotment of house sites and has allotted these house sites to 6,81,000 families, of which 1,25,000 are developed house sites. Maharashtra, too, has not lagged behind. Of

the 3,61,183 eligible families, 3,61,092 have received house sites, including 43,658 developed house sites. A detailed Statewise physical progress in the allotment of house sites is given in Table 1

Certain inescapable facts emerge from an analysis of this table. In the first place, it is obvious that about 66 per cent of the identified and eligible families have been provided with house sites in the brief period that has elapsed after the announcement of the Twenty-Point Programme by the Prime Minister—a remarkable achievement indeed. Very few States, however, have done anything substantial in ensuring a proper development of these house sites This fact, however, may be accounted for by the existence of certain physical factors. To be properly developed, each house site has to be cleared, filled up and levelled, and allowed to lie for at least one monsoon before the land gets settled and ready for the construction of a house. Moreover, since the development of a house site is to be effected on a self-help basis, rural folk can devote only a very brief and limited time to it every day, both during the season of agricultural operations and in the off season. Despite these physical handicaps, which account for the somewhat slow development of house sites, a great deal has been done in a number of States, particularly in Karnataka, Gujarat, Maharashtra and Tamil Nadu.

One of the major factors that would lead to an increased tempo in construction activity on a self-help basis on lands allotted to the rural poor is the provision of certain infrastructural facilities. It is unclear whether provision has been made for the creation of such amenities as public roads, street lighting, water supply, health and sanitation, schools and village markets. It is self-evident that the creation of such infrastructural facilities would, apart from stepping up construction activity, encourage off season employment, give a face-lift to a village and persuade the rural folk not to migrate to big towns or metropolitan areas in search of employment.

Table 1

Sl. No.	Name of State/Union Territory	Total No. of eligible families in the State/Union Territory	No. of families allotted house sites (including undeveloped sites)	No. of house sites developed
	(1)	(2)	(3)	(4)
	States			
1.	Andhra Pradesh	16,00,000**	6,57,000	652
2	Assam	2,29,000**	49,056	No information
3	Bihar	19,58,000†	7,15,000	12,178
4	Gujarat	2,81,000**	2,68,000	60,467
5.	Haryana	2,15,092*	2,10,514	600
6.	Himachal Pradesh	4,451**	4,451	3,800
7.	Jammu & Kashmir	18,000**	1,733	No information
8.	Karnataka	7,26,000**	6,81,000	1,25,000
9.	Kerala	3,00,000**	90,000*	90,000*
10.	Madhya Pradesh	9,13,037**	7,71,105	7,704
11	Maharashtra	3,61,183**	3,61,092	43,658
12.	Orissa	5,00,000**	35,237	9,366
13.	Punjab	3,11,630**	3,03,770	6,807
14	Rajasthan	8,54,023**	8,54,023	3,836
15.	Tamil Nadu	14,97,000†	5,23,076	38,950
16	Tripura	42,650**	20,915	2,993
17.	Uttar Pradesh	12,12,014**	12,11,885	15,294
18.	West Bengal	3,02,990**	3,02,990	6,500
	Union Territories			
1	Andaman & Nicobar Islands	3,816**	1,078	No information
2.	Chandigarh	52**	50	-do-
3.	Dadra & Nagar Haveli	Not known	592	-do-
4.	Delhi	14,000**	12,228	-do-
5	Goa, Daman & Diu	Not known	700	258
6.	Pondicherry	15,779**	6,322	571
	Total	113,59,625	70,81,817	4,28,634

* Previously, in Kerala, house sites as such were not being allotted. Only after the houses were constructed, they were handed over to the beneficiaries. The State Government wound up this scheme on 2-10-75, and is now distributing house sites. It has distributed about 90,000 houses/house sites, of which about 46,000 are fully completed houses and about 11.000 are partly built houses.

** According to the estimates of the State Government.

† According to the information received from the Planning Commission.

Some Suggestions

It is necessary to sound a note of caution here, for if housing programmes are not judiciously implemented, they may defeat their own purpose. Therefore, care should be taken to ensure —

(a) That the provision of Rs. 150 per site sanctioned for the development of house sites is fully and adequately utilised in the best possible way;

(b) That house sites allotted to persons belonging to nomadic tribes are made available to them along with permanent cultivable pasture land or with other job opportunities in the area of settlement;

(c) That the programme of allotment of house sites to scheduled castes/scheduled tribes is linked with the assistance available to such persons through social welfare schemes; and

(d) That house sites should be allotted in the vicinity of a village, failing which the allottees may feel impelled not to accept them.

In this connection, it may be suggested that :

(a) With a view to making an optimum use of the development expenses of Rs. 150 per house site, sites may be allotted to groups of 10 persons in one area or one plot of land which, as far as possible, should be close to the village market and their places of work. The improvement of house sites should be done on the basis of self-help. The savings thus effected by this collective development of house sites, together with the amount available to the Village Panchayat for development purposes, may then be effectively utilised to buy construction materials to be used by the villager for the construction of his own shelter on a self-help basis.

(b) Funds available for social welfare schemes for scheduled castes/scheduled tribes should be pooled

with the funds available for the improvement of house sites and the amount available through the Village Panchayat for this purpose. Improved basic amenities may then be made available on the basis of self-help, and the pooling of funds would make possible the construction of a larger number of shelters for these people

(c) New industrial units should be set up in the vicinity of villages with a view to providing more and better job opportunities to the jobless in rural areas. This would also give a stimulus to house construction programmes in villages on a self-help basis.

(d) Another, and perhaps a more far-reaching, suggestion is to revive the Wardha Scheme, which was first formulated way back in 1967. According to this scheme, a *mandi* centre (village market centre) is developed in such a way as to become central to a group of 10 to 15 villages; become, so to say, the nerve centre of village life by providing such facilities as modern housing, roads, drainage, market, school, hospital, etc. These facilities would then induce even city folk, specially doctors and teachers, to plant their roots in the countryside.

With a view to reducing the construction cost of hutments on house sites allotted to agricultural labour and other weaker sections in rural areas, the Central Building Research Institute (CBRI), Roorkee, has come out with a new technique. According to this technique, a solution of 25 kgs of hot bitumen is prepared in 50 litres of kerosene. When cooled and filtered, this solution is sprayed on mudwalls. Two coats of the solution are applied at an interval of four hours. The walls so treated appear dark grey in colour, can be whitewashed, and become strong enough to withstand erosion and keep intact during the monsoon and storms. The treatment is effective for four to five years and its cost per hutment is about fifteen rupees.

The CBRI has also suggested a new method of combating fire hazards. All the thatch materials are first immersed for 10 to 12 hours in a 14 per cent chemical solution of diamonium phosphate and sodium fluoride and then dried. The thatch is then prepared and a coating of a fire-retardant and water repellent paint is applied to it.

This treatment, moreover, prolongs the life of the thatch, and costs around Rs. 50/- per hutment.

This brief outline of the history and recent growth of housing programmes for the rural poor underscores some of the imperatives that lie behind the Prime Minister's Twenty-Point Economic Programme. It is obvious that the health of a nation is the sum total of the health of its population. A country will be weak, economically and politically, if vast sections of its population live on the fringe of starvation and have hardly any clothing and shelter. The strength of these people collectively makes for the strength of the nation. The successful and speedy implementation of housing programmes for the rural poor will, therefore, in the immediately foreseeable future, bring about conditions for the economic regeneration of the nation as a whole and make for its political and economic stability.

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3

CO-OPERATIVE HOUSING FOR THE URBAN POOR

D. D. NAIK

The modern concept of housing does not limit the idea of housing merely to the provision of shelter. But housing is more than man's way of protecting himself from the hot sun, severe cold and heavy rains. It is also an expression of his culture and way of life. Today, housing means the provision of comfortable shelter and such surroundings and services as would keep a man healthy and cheerful. Proper housing exercises a profound influence on people's health. The need for an adequate number of houses is therefore obvious. They should be reasonably comfortable and hygienic, with all the essential amenities of community life.

Housing—An Important Factor

When the United Nations launched the Second Development Decade in the beginning of 1970, its Secretary-General noted: "Development concerns not only man's material needs but also the improvement of the social conditions of his life and his broad human aspiration. Development is not just economic growth; it is growth plus change."

In a recent study, the United Nations Secretariat has pointed out: "Improvement in the condition of the individual increases his level of participation in society and helps achieve the objectives of economic development. Improvement of the individual's economic position in turn increases

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SHRI D. D. NAIK is Hon. Secretary, National Co-operative Housing Federation Ltd., Bombay.

his general well-being and the efficiency of his participation in society, thereby beginning the cycle again."

Adequate shelter is essential if a human being is to live with dignity. The home provides the physical framework in which the human, social, economic and cultural resources of the individual are released, enriched and integrated. Adequately comfortable housing contributes directly to individual health and productivity, which are essential for national economic growth. Moreover, housing itself is an important economic activity, providing substantial direct and indirect employment of a type which is easier to create than any other. A strong housing sector helps the development of an efficient construction industry, which is essential for economic and social development, since 50 per cent to 60 per cent of capital investment is in construction.

The economic factors in development created by better housing for the working class include: (1) greater work efficiency, (2) less absenteeism from work, (3) reduction in the need for medical care, and (4) improved school attendance of children.

Housing Problem

A vast majority of both urban and rural population cannot afford to pay economic rent for even the cheapest form of acceptable housing. They have, therefore, to live in makeshift shacks and straw huts. These distressing conditions, in which the low income families live, present a problem which is seemingly beyond solution. Even if the poverty-stricken slum families are housed in clean and healthy dwelling units, they will not have the resources to pay even a nominal rent or maintain the unit and also pay for the most essential items of food, clothing and transport. Any attempt to solve their housing problem effectively has to be a part of an overall and integrated approach to raising the economic standard of these people. The Central Statistics Organisation (CSO), in its report on Middle Class Family Living Survey 1958-59, has given the propor-

tion of different households belonging to different income-groups in the total urban households as under:

Household groups	*Income range monthly income*	*Percentage of each income-group in the total house-holds (urban)*
1. Lowest income-group—slum-dwellers	Upto Rs. 100	16 8
2. Low-income group	Rs. 100 — 200	46 0
3 Lower middle-income group	Rs. 200 — 500	31.2
4. Upper middle-income group	Rs 500 — 1000	5 0
5. High income-group	Rs 1000 and above	1.0
		100 0

The above proportion f different income-groups is more or less applicable to rural households. Socio-economic surveys of some villages in 1959 also confirm this assumption.

A survey of the income patterns of the households in the Valasan village in Gujarat and in the Daulatpur village near Roorkee showed the proportion of households belonging to different income-groups in the total households as under:

VILLAGE VALASAN[1]

Income range	*Households*	*Percentage*
51 to 100	92	15 4
101 to 150	126	21 0
151 to 200	116	19.5
201 to 300	147	24.5
300 and above	119	19.6

1. Based on papers by Prof. R. K. Amin, Department of Economics, Sardar Vallabhbhai Vidyapeeth, Vallabh Vidyanagar, and R. L. Sanghvi, Socio-Economist, Birla Vishwakarma Mahavidyalaya, Vallabh Vidyanagar.

VILLAGE DAULATPUR[2]

Income range	*Percentage of households*
Income below Rs 1000	24
Between Rs. 1001 to 2500	53
Above Rs. 2500	23
	100

The Government of India has prescribed the income limit for allotment of houses to persons belonging to weaker sections at Rs. 350/- per month. If this income limit is accepted, a vast majority of the population, *i.e.*, more than 70 per cent, will fall within the limit of this definition of weaker sections and will include:

(1) Agricultural landless labourers;

(2) A majority of the people belonging to scheduled castes and scheduled tribes;

(3) Low-paid industrial workers; and

(4) Other self-employed persons or employees having income upto Rs. 350/- per month.

The present housing conditions of these people have a two-fold effect on them:

(1) Unhygienic living conditions have resulted in loss of efficiency, which has been the main cause for the low productivity of labour in India.

(2) As they are condemned to live in wretched conditions, there is loss of human dignity and consequent lack of motivation to improve one's own conditions.

It is, therefore, essential that a housing programme should aim at providing the weaker sections a cleaner and healthier life. This would necessitate not only provision of shelter but construction of improved houses with proper

2. R. D. Singh, Socio-Economist, Rural Housing Wing, University of Roorkee.

streets and drains, provision of drinking water, street lighting, playgrounds and community centres. When these people move into new and improved houses with proper streets and drains, safe drinking water, open spaces, playgrounds, community centres, they would naturally want to live better and would be motivated to exert greater efforts towards the improvement of their agricultural and industrial production, which alone can provide them with the additional resources, required to meet their growing demand for better living.

Present Efforts

A number of schemes have been introduced by Central as well as State Governments to provide assistance for the construction of houses. Some of these are:

(1) Integrated subsidised housing scheme for industrial workers and economically weaker sections of the community;

(2) Low-income group housing scheme;

(3) Subsidised housing scheme for plantation workers;

(4) Slum clearance improvement scheme;

(5) The village housing project scheme;

(6) Land acquisition and development scheme; and

(7) Scheme for the provision of house sites to landless workers in rural areas.

In the Fifth Five-Year Plan, an outlay of Rs. 600.92 crores has been made for housing in the State and Central sectors. According to published statistics, out of 8,82,661 houses sanctioned under various social housing schemes, 6,43,822 have been completed.

Under the scheme for provision of house sites to landless workers in rural areas, State Governments and Union Territories developed 4,28,634 house sites till the end of September 1976. They have, however, allotted 70,81,817 house sites, which include more than 29 lakh undeveloped house sites. Development work is going on apace.

The scheme-wise progress is as under:[3]

Name of the scheme	Number of houses Sanctioned	Completed
(1) Integrated subsidised housing scheme for industrial workers and economically weaker sections of the community	2,43,583	1,82,233
(2) Low-income group housing scheme	3,06,266	2,44,009
(3) Middle-income group housing scheme	44,036	34,322
(4) Subsidised housing scheme for plantation workers	14,297	4,086
(5) Rental housing scheme for State Government employees	28,776	23,701
(6) Village housing projects scheme	96,299	59,659
(7) Slum clearance improvement scheme	1,49,404	95,812
	8,82,661	6,43,822

Housing for Scheduled Castes/Tribes

In addition to these schemes, Government has undertaken subsidised housing for scheduled castes, scheduled tribes and other backward classes, including handloom weavers.

The expenditure incurred on housing schemes for scheduled castes and scheduled tribes during each year from 1969-70 to 1973-74 was as under against a Plan provision of Rs. 584.27 lakhs for scheduled castes and Rs. 189.62 lakhs for scheduled tribes:[4]

Year	Scheduled castes Rs in lakhs	Scheduled tribes Rs. in lakhs
1969-70	101.953	19 732
1970-71	104.611	15.731
1971-72	111.398	30.327
1972-73	124.423	33.162
1973-74	140.234	82.931
Total	582.619	181.833

3 "Years of Achievement — Housing", a Government of India Publication.

4. Report of the Commissioner for Scheduled Castes and Scheduled Tribes, 1973-74, Appendix XXX.

Government's role in the field of housing has been limited due to constraints on its resources on the one hand, and the lower priority given to investment in housing on the other. The total public sector investment in housing, according to the Planning Commission, was only a small portion, estimated to be about one-sixth of the total investment in housing during the Third Plan period. Thus, a major part of the effort in housing is in the private sector.

The total expenditure on housing in the Fifth Plan is given in the Table on page 168.

Housing Co-operatives

Housing co-operatives, which are of special assistance to low and middle-income groups, have made a substantial contribution to easing the housing situation in some States. By their well-planned and well-designed estates, they have not only provided decent housing to their members but have also arranged for such common services and facilities as streets, drainage, water supply and street lighting.

As on 30th June 1974, the number of housing co-operatives in the country was 24,011 with a membership of over 1.5 million. The total number of tenements constructed by housing co-operatives was 2.06 lakhs at an approximate cost of Rs. 296.83 crores. Between 1959-60 and 1973-74, these co-operatives also constructed 47,397 independent houses at an approximate cost of Rs. 45.26 crores. During the same period, their members built 52,918 houses, costing Rs. 41.47 crores.[5]

The high cost of construction and the rising prices of land have made it difficult even for co-operatives to assist the weaker sections in solving their housing problem. It is therefore, necessary to bring about innovations in building techniques, by which the cost of construction may be brought within the reach of the poor. The lower the cost per dwelling, the larger the number of persons who will benefit from it; and the lower average cost per dwelling will enable

5. Statistical information published by the Reserve Bank of India.

REVISED FIFTH PLAN OUTLAYS FOR HOUSING, INCLUDING POLICE HOUSING

(Rs. Crores)

	Scheme	*Draft Fifth Plan*	*1974-77 anticipated expen-diture*	1977-79 *Outlay*	*Revised Fifth Plan outlay*
	(0)	(1)	(2)	(3)	(4)
	State Sector	379.57	260 09	245 47	505 56
1.	State Plans	338.39	243.71	220.95	464.66
2.	U T. Plans	41.18	16.38	24 52	40 90
	Central Sector	237.16	40 09	55 27	95 56
1.	General Pool Office and Residential Accommodation	100.00	21.12	30 00	51.12
2.	Housing and Urban Development Corporation	90.00	5 00	9 00	14.00
3.	Subsidised Industrial Housing for Plantation Labour	5.00	2.40	2.60	5.00
4.	National Buildings Organisation Schemes	4 00	0.83	0 85	1 68
5.	National Building Materials Development Corporation	35 00	0 05	0.10	0 15
6.	Hindustan Housing Factory	2.00	0.05	0.10	0 15
7.	Subsidised Industrial Housing Scheme for Dock Labour	1 16	0.14	0 12	0.26
8.	Sub-Total (1 to 7)	237.16	29.59	42.77	72 36
9.	Police Housing	—	10.50	12 50	23 00
10.	*Total*	616 73	300.18	300 74	600 92

Source: Fifth Five-Year Plan.

Government to build a larger number of units within a given amount of annual investment.

A New Approach

Housing shortage on the eve of the Fifth Five-Year Plan was estimated at 1.56 crore units—38 lakhs in urban areas and 1.18 crores in rural areas. Nearly 70 per cent of the shortage arises out of the housing needs of the weaker sections. It is not at all possible to meet the shortage by providing standard accommodation to everybody. In order to be able to deal with the problem on a mass scale, the following two measures are suggested:

(1) To provide improved shelter in human settlements.

(2) To improve the existing squatter settlements.

Thirty per cent to fifty per cent of the population in urban areas is living in inadequate, overcrowded conditions, often without minimum sanitary services. In rural areas, the conditions are even worse, with seventy per cent to ninety per cent lacking shelter and services required for good health.

Efforts by State Governments to build standard houses for low-income families have generally not been very successful. Hence there is a shift in emphasis to "minimum shelter" and "site and service" programmes with a view to building a larger number of housing units within the limits of available funds.

Shelter Policies

Government's housing policies should be directed towards providing a framework which encourages self-help and initiative by private individuals and groups; and Government should only be involved in land acquisition, overall planning and control, provision of infrastructure and community services, assistance in providing credit, and encouragement of job training and job producing activities. Actual construction, however, should be undertaken by individuals or by community organisations such as housing co-operatives. For this purpose, it may be necessary to relax

municipal building regulations in many areas, for the construction of shelters in improved human settlements may not conform to the prescribed standards under existing building bye-laws.

The main problem which inhibits the construction of improved housing units arises out of low incomes and high housing costs. Because the poor cannot afford a standard house, they continue to expand the uncontrolled squatter settlements and slums. The "minimum shelter" approach may offer the alternative of a small "shell" or "core" house for which the poor can pay, and then expand and improve it over a period of years as his income rises.

In many places, however, it may not be feasible or desirable to develop new "minimum shelter" projects, particularly for families living in slum areas. This is especially true of squatter settlements which are well-established, have some infrastructure, are located near employment centres and have largely become semi-permanent. In these areas, the answer lies in "legalising" land tenure, reducing density, improving streets and then providing credit and technical assistance for self-help in home improvement. Some States, of course, have already had successful slum improvement programmes. But much yet remains to be done in this direction.

Role of Co-operatives

The "minimum shelter" and "site and services" programmes may present a number of problems such as maintenance of completed projects, collection of monthly payments, raising resources for repairs and improvement of homes, and maintenance of community services.

Many of these problems stem from a lack of participation by residents. Co-operatives will help to pass most of the responsibilities of raising resources and maintenance of the projects to the residents themselves. Through co-operatives, Government can help organise the resources of those living in slums and persuade them to help themselves. Co-operatives may also help them to learn to accept economic, social

and civic responsibilities on an individual and collective basis.

General co-operative education and training programmes may help residents to establish a framework within which they may identify the priority needs of their community. Individual co-operatives of different types may then be formed to enable the residents to meet these needs, such as credit co-operatives, consumer co-operatives, production co-operatives and housing co-operatives.

The programme of allotment of house sites to the landless and weaker sections and socialisation of urban land has provided an ample scope for housing programmes in a big way. These house sites should be developed and equipped with necessary community services and infrastructural facilities. The owners of the house sites should be encouraged to organise themselves into co-operative to undertake house construction and to maintain and manage common amenities and services.

The land that will be at the disposal of the State Governments following the implementation of legislation bearing on socialisation of urban land can be similarly used for housing the urban poor on the basis of "site and services" and "minimum shelter" programmes, while co-operative institutions are entrusted with the task of looking after the maintenance and administration of the housing estates.

Investment Problem

Huge capital investment would be required to solve the housing problem of the poverty-stricken people in a big way. It may, therefore, become essential to create a National Housing Fund by taxing urban and rural non-agricultural immovable properties with a view to financing housing projects for weaker sections and low-income groups.

Since housing is an essential factor in the cumulative process of development, the solution of the housing problem cannot be postponed on the erroneous assumption that housing has a place only in social development and that

economic development should precede social development. It may also be borne in mind that economic development itself will be retarded by low productivity and lack of efficiency on the part of the poor if their housing is neglected.

The Draft Fifth Five-Year Plan asserts:

> "The role of housing in economic development, both as an end and as a means, is an important one. As an end, housing is an essential ingredient in the basic requirements of civilised living; as a means, besides adding to national income, housing is a strong motivator of savings and plays an important part in the generation of employment."

The Plan, however, addresses itself to the following limited objectives in the housing sector:

(i) Preservation and improvement of the existing housing stock;

(ii) Provision of house sites to 4 million landless labourers as a part of the Minimum Needs Programme;

(iii) The continuance of the existing schemes to provide subsidised houses to certain weaker sections of the community;

(iv) Extension of support to institutional agencies such as HUDCO and Housing Boards under State Governments to enable them to provide assistance to schemes for the benefit of low-income and middle-income groups; and

(v) Intensification of research in, and development of, cheap building materials.

A Curative

In view of the limitations on the resources at the disposal of Government, it is necessary to encourage co-operatives, which generally involve private initiative and popular participation in the formulation and implementation of housing policies, thereby supplementing governmental efforts. To be most effective, however, co-operative housing should not be introduced only for the middle class,

but should be adopted to solve the problem of the lowest class at the bottom of the social ladder. In short, the co-operative system should direct its primary and strongest thrust towards the gigantic housing needs of those in the greatest need. In modern urban areas, therefore, it is necessary to encourage the formation of housing co-operatives by slum dwellers, industrial workers and those belonging to the low-income groups.

For let it not be forgotten that a housing co-operative inevitably becomes a community of people; and whenever certain features and facilities for common use are incorporated into the design of co-operative housing, it easily becomes a living and wholesome neighbourhood built on concepts of inter-dependence and mutual sharing.

Thus, a well-conceived co-operative project can be a curative for one of the common ills of modern society, the alienation and loneliness of individuals in the mass of humanity. The strong element of community in a co-operative project manifests itself in various ways, but especially in subsidiary services of many kinds and in ancillary facilities for the use and benefit of all. Well-planned projects under co-operatives include space for recreation and cultural activities, for schools, for sports and hobbies, which are not provided in private rental accommodations. Moreover, co-operative housing tends to germinate other co-operatives within the group, such as consumers' co-operatives and credit co-operatives. Each co-operative housing project should, therefore, have different types of co-operatives and common facilities as under:

(1) A housing society to undertake the construction of houses and to manage the housing estate;

(2) A credit society to encourage thrift and saving among those living in the co-operative housing project;

(3) A consumers' co-operative; and

(4) An industrial co-operative to provide employment to the unemployed, especially to women and artisans who have no full-time employment.

Each housing project may be provided with the follow-

ing public facilities and services, which are generally made available by Government or local authorities to the public:

(1) A family planning centre;

(2) A primary school;

(3) A health centre; and

(4) A milk distribution centre.

It is necessary to organise model communities of the poor who are at present living in the most appalling conditions in slums and squatter settlements. As far as possible, the housing co-operative for the weaker sections should be sited fairly close to their places of employment.

It may be pointed out here that most of the ordinary members of a housing society find it difficult to manage its affairs at the initial stage of execution of the building project, and this gives an opportunity to certain interested and unscrupulous individuals to dominate and control its management. It is, therefore, necessary to create a suitable institutional set-up at district or regional level to assist the primary housing co-operatives in the following matters:

(1) Provision of architectural and legal services; and

(2) Planning, execution and development of housing projects.

In all future housing activities, co-operatives will have to combine co-operative methods and technological innovations to meet the low-cost housing needs of the weaker sections of society. In view of the urgently important economic and ideological role of co-operative housing, it is essential to constitute a National Commission on Housing to study in depth the various problems confronting the housing sector — administrative, financial, technical and legal—and to suggest a national policy to be adopted throughout the country.

Co-operatives, however, are not merely an instrument of worthwhile economic development programmes; they also provide practical training in how we should plan together, work together, live together — essentials without which no democratic set-up can be meaningful.

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4

BONDED LABOUR : HISTORICAL BACKGROUND

B. M. PURANDARE

The abolition of bonded labour is probably the greatest single point of Smt. Indira Gandhi's package of economic measures for the rural poor. Slavery of any kind is bad; but there is nothing worse than economic slavery, for it enslaves both body and mind. For the first time in history, the economically backward and socially neglected sections of the community can square their shoulders and raise their heads high as human beings, breathe the fine pure air of freedom, and feel, for the first time, that they are better than inanimate objects, better than animals, and that they belong to the fine old race of Man. These are the countless, hapless men and women who will remember the Prime Minister with gratitude and affection for having rescued them from a tyranny that is worse than the tyranny of death.

Forms of Slavery

The Aryans knew debt-slavery, that is, slavery as a result of defeat in gambling. During the Buddhist period, persons who fell seriously ill offered themselves as slaves to the physician if he was able to cure them. Even merchants and princes found themselves in this category. The high-born, who found themselves as slaves to their rescuers, could obtain their freedom by paying suitable compensation. In this period, the father could, in case of need,

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SHRI B M. PURANDARE is Journalist, "The Times of India," Pune.

abandon or sell or 'mortgage" his progeny. In a passage in the *Milindapanho,* it is said that "a father gives away his children into slavery when he has too many of them and he cannot bring them up properly." "He may," says the text, "give a child away if he does not like the particular child. The same for the wife."[1]

Kautilya, who framed rules relating to the rights of masters, did not permit mortgaged persons to be employed in all sorts of work. A "mortgaged" woman, for example, could not be assigned such a job as that of assisting her naked master at his bath. Any attempt at cohabitation with her would automatically cancel the "mortgage."

In later years, the law-makers made a distinction between slavery for life and slavery for a limited period. Kautilya gave better protection to the second category of slaves, who were like the latter-day bonded labourers.

There are close links between bonded labour and the hierarchical caste system, which was given a religious background. In the caste system known as *chaturvarnya,* the *shudras* had no rights at all. They had only duties. They were to serve "willingly" the other three castes. A *shudra* could not earn nor could he accumulate wealth by working for others. His master was the sole custodian of all his earnings. As they had no right to education, the *shudras* continued to remain ignorant and exploited. If this is how the *shudras* were treated, one can well imagine the plight of the *avarnas*, the untouchables, who were beyond the pale.

In the caste system, the master-slave relationship was handed down from one generation to another. In all the rural areas, the scheduled castes were forced to live outside the village boundaries. This has been going on for centuries, for the Caste Hindus were not prepared to change their attitude. It was only a few years ago that hundreds of houses in the villages in the vicinity of the Koyna Dam in the Satara district of Maharashtra were razed to the ground by

1. Dev Raj Channa: "Slavery in Ancient India," p. 67.

an earthquake. The State Government rose to the occasion and rebuilt the houses. But the scheduled castes continued to live as outcastes outside the village boundaries, even though new houses were built for them alongside those of Caste Hindu farmers. They were even forbidden to use the wells from which Caste Hindus drew water.

The institution of slavery has undergone changes in the course of time, though the story of how bonded labour begins is almost the same everywhere. Landless farm-workers depend on agriculture for livelihood, but their income from this is grossly insufficient for their needs. During illness or at the time of a marriage or a festival, they need money and thus fall an easy prey to rapacious moneylenders. Since they have no security to offer in the form of land, ornaments or other property, they "pledge" themselves. Thus borrowing is done against a "work pledge."

Moneylenders took advantage of the ignorance and weakness of their debtors and entered into unequal and inequitous contracts with them. The wages fixed were so low that there was no possibility of the loan being ever wiped out. As the years passed, interest was added to the principal, and the total became so huge that it could not be repaid even with the labour of many generations of the debtor's family. And the noose tightened as the need to borrow arose again and again.

Bonded labour, until its abolition by a Presidential Ordinance promulgated in October 1975, had existed in India for centuries.

Plight of Bonded Labour

This kind of labour took deep roots in regions where scheduled castes, Adivasis and other depressed classes abound. Long ago, land belonged to the hill tribes in Adivasi areas. But during famines their property passed into the hands of moneylenders for trifling amounts. These one-time landowners (like the Warlis in Dahanu tehsil, near Bombay) worked as hereditary serfs in the houses,

gardens and farms of the upper-class persons. Their work varied from tilling the land to menial domestic chores. They had become bonded slaves

The zemindars or upper-class persons took every advantage of the dependence of the tribal people They treated Adivasi girls as their private property, and used them to gratify their lust. If a newly-married woman was pretty, the landlord would snatch her away from her husband and force her to cohabit with him.

Ignorance of the law is mostly responsible for the pitiable condition of bonded labourers. The legal position is that no personal liability is transmitted and no suit lies against the heirs of a deceased debtor, except when the property of the deceased comes into the hands of his heirs by way of succession or otherwise.

In many parts of the country, two types of bonded labour existed—those who were in debt and those who had become bankrupt. Moneylenders would call their debtors only when they needed them for work and at a time when wage rates were at their highest. Such bonded labourers were not only not employed throughout the year, but received only food as their wages. Thus, the moneylenders obtained labour practically free of charge.

Many hill tribes had been bondsmen of the *Pandharpeshas* (upper-class people) or high-caste villagers since the Maratha period. The Thana Gazetteer says: "The name bondage ceased with the introduction of British rule. But with many of the more settled of the wilder tribes, the reality of slavery remained, and nominal freedom only served to bring them under new and harder masters. Formerly, their masters used to pay their marriage expenses. Now they themselves had to find the funds. And as almost none of them had the necessary forty or fifty rupees, most of them had to pledge their labour for a term of years. This term of years often developed into life-long and sometimes into hereditary servitude."

How millions of people suffered from the rigours of bondage is illustrated by the two examples given below :

A Harijan family of Khambhapur village in Gonda District, Uttar Pradesh, were bonded labourers for 75 years. The great-grandfather of its present head had borrowed Rs 200 from a moneylender. For four generations, the debtor's family worked on the creditor family's farm to repay this debt That was not all. They also had to surrender two bighas of their own land; yet the original loan of Rs. 200 rose to Rs. 4,180. With the intervention of the authorities, the moneylender's family has now given up its claim to the money.

A milkmaid in Kaudoli village in Kalakhandi District, near Bhubaneshwar in Orissa, "mortgaged" her teenaged daughter, Lata, to a landowner for the 65 kgs of paddy she had borrowed. The girl worked without wages. Government stepped in and released her from bondage.

Attempts At Abolition

Slavery in India was abolished by a decree of Emperor Akbar in the sixteenth century. It neither covered the whole land nor was it effectively implemented. No other ruler appears to have followed in the footsteps of Akbar in this respect.

In 1812, Rani Laxmi Bai of Travancore issued a proclamation abolishing slavery in her State.

Because of the practice of bonded labour, a fairly large number of *pariahs* and other social outcasts embraced the Christian faith. The change of religion, however, did not bring about any material change in their status or economic conditions.

The British Parliament passed a law in 1833, seeking to abolish slavery throughout the British Empire. This enactment made an initial impact. But when a copy of the legislation reached some Princely States in India, officials looked upon it with suspicion. The Udaipur Maharaja's reaction was typical. He said: "The rules and customs of the Raj have existed from time immemorial, and from the days of Sri Ram, slaves and slave-girls existed here." In

Mewar, the Political Agent was assaulted following discontent over the British enactment.

In the Princely State of Hyderabad, *Bhagelas*—members of an aboriginal tribe—were in debt-bondage and worked for life. Surprisingly, in February 1937, the Hyderabad Government promulgated an order by which all the existing debts were considered to have been liquidated. Any fresh agreements were to be stamped and registered, providing for proper credit towards liquidation.

After Independence, several State Governments passed laws banning the bonded labour system. Our Constitution lays down that "traffic in human beings and *begar* and other similar forms of forced labour are prohibited and any contravention of this provision shall be an offence punishable in accordance with law." Despite this legal freedom and equality, bonded labour continued to thrive because laws were not rigorously enforced and people took no notice of the evil.

Awakening

The efforts to liquidate bonded labour have so far been half-hearted, for oppression by feudal lords continued and became unbearable. In Maharashtra, Mrs. Godavari Parulekar and her husband, the late Mr. Shamrao Parulekar, organised the Warlis (an Adivasi tribe) in Thane district and led a successful struggle against bondage.[2]

A disciple of Mahatmaji, Mr. Narahari Parekh, wrote in the *Harijan* dated January 19, 1947: "The riots of Adivasis (Warlis) in Dahanu taluka (in Thane district of Maharashtra) should be an eye-opener for us. No doubt the police and the military will suppress the riots and peace will be restored. But that does not mean that the problem is solved. Such riots are an outward symptom of a serious disease in the body politic. So long as the root cause of this disease is not removed, a superficial treatment of outward symptoms will be of no avail. So long as exploitation, sup-

2. The story is told by Mrs. Parulekar in her book, *When Man Gets Awake* (in Marathi and Hindi editions).

pression and injustice are not removed, it is futile to hope for a lasting peace."

The words of Mr. Parekh were prophetic. Bonded Adivasi labourers in several parts of the country revolted against their exploiters. *Girijans* (members of hill tribes) in Srikakulam district in Andhra Pradesh launched an agitation in 1959. The tribals, who were hired as farm-labourers, demanded a rise in wages. Another important issue was the refusal by landlords and moneylenders, who came from the plains, to return the mortgaged lands to the *Girijans* even after the expiry of the mortgage. Many other issues, such as heavy indebtedness, also cropped up at the time of this agitation.

The Andhra agitation was peaceful and it secured a five-fold increase in the wages of farm labour and ensured two-thirds of the produce to the cultivator. The leaders of the agitation wrested nearly 2,000 acres of mortgaged land from moneylenders. They also succeeded in securing 5,000 acres of waste land for the *Girijans,* free from restrictions imposed by forest officials. Loans amounting to about Rs. 3 lakhs were annulled.

Similar struggles were launched by extremists on the issue of economic demands, but they took on a political character. As a result, the gains of the peaceful movements of the tribals were lost.

Existence of Bondage

Bonded labour existed in many States, through in each State it was known by a different name. For example, it was known as Malia Muliyas or Nagmuliyas in Orissa; Nit Majdoors in Bengal; Harwais and Baramasiyas in North Bihar; Kamias in South Bihar and Chhota Nagpur; Harwahees in parts of Madhya Pradesh; Sewaks and Haris in Uttar Pradesh; Adiammaras in Travancore; Cherumas in Malabar; Holyas in South Kanara; Pannyals in Tamil Nadu; Palerus in Andhra Pradesh; Halis in Gujarat; Sagris in Rajasthan; Jeethas in Mysore; and Seris and Sanjis in Punjab.

This pernicious system operates in a variety of ways in different States For example, according to a survey conducted in Andhra Pradesh in 1965, 48 cases of bonded labour, employed in 33 households, were identified. Nine of these were less than 15 years old. Twenty belonged to the 16 to 30 age group, seven to the 31 to 35 age group, while the remaining four were 46 and above. Of the 48 bonded labourers, 21 were occasionally given food and clothing, while 14 received only clothing. The rest worked for nothing

In Bihar, a study of bonded labour, known as *saunkiya*, showed that 84 per cent of bonded labourers belonged to the scheduled castes and scheduled tribes The period of their serfdom varied between 8½ years and 10 years. One of the *saunkiyas*, however, worked for over 25 years against a petty loan of only Rs. 100. The exploiters of the *saunkiyas* were ex-zemindars and trading and moneylending classes.

A 1965 survey in Kerala uncovered the fact that 12 per cent of the total Paniyan population was under bonded labour, most of whom were bound over to a period of serfdom for a paltry loan of Rs. 25. In no case did the loan exceed Rs. 50.

In Orissa, the existence of *gothi*, a form of bonded labour, was revealed by a survey. The *gothi* is a system of labour by which the recipient of a loan, whether in cash or kind, enters into a written agreement to the effect that he will serve his creditor for agricultural and domestic purposes till the loan he has incurred, together with the interest accruing thereon, is wiped out.

Magnitude

The magnitude of the problem posed by bonded labour is highlighted in the reports periodically submitted by the Commissioner for Scheduled Castes and Scheduled Tribes, explaining how members of backward communities were being exploited, the work done by Adivasi Welfare Associations run by Gandhian workers, and the peaceful agitations of tribal bonded labour.

In this connection, reference may be made to the conditions in which coalminers were recruited and kept by the Coalmines Recruiting Organisation (CRO). Officials of this body assured to the coalmines a steady supply of captive illiterate workers from the backward districts of eastern Uttar Pradesh.

These workers were huddled together, ten or more, in a small ill-ventilated room. They were escorted to work and marched back to their "cells" by their supervisors after the work was over. They had no freedom to move about freely even inside the "workers' camps" specially created for them. There was, of course, no question of allowing them to leave the camps. Naturally, trade union activities were not permitted. The workers lived like prisoners under strict surveillance. They were forbidden to fraternise with the local labour. After the day's hard labour in the mines, these coalminers were often constrained to work in the houses of CRO officials, who had acquired palatial buildings and a fleet of cars. The late Mr. Mohan Kumaramangalam, then Union Cabinet Minister, ended this pernicious system in 1973.

The system of bonded labour existed in one form or the other in almost all urban areas. Many prostitutes were also victims of this system. Their parents would take a loan from some unscrupulous moneylender, who would bring them to cities and force them into immorality. For example, Jaunsar Babar in Uttar Pradesh was notorious for the fact that young girls were sold into brothels by their impecunious parents or close relatives. They lived this life of shame till old age, disease or death brought release. Happily, this vicious practice no longer obtains in that village.

Barbarous

Bonded labour, however, is essentially a phenomenon of our agricultural economy, in which the problem of bonded labour is linked with the availability of land for cultivation, pressure on which has been increasing every year. During 1961-1971, for example, the number of the

landless shot up from 27 million to 47 million. In the same period, the number of land-holders declined from 98 million to 78 million.

The Government of India is determined to do away with this system. Describing it as a "barbarous system", Smt. Indira Gandhi has rightly included its abolition as a cardinal item in her Twenty-Point Programme And she has acted swiftly and purposefully towards that end. An ordinance was promulgated by the President of India, declaring all types of bonded labour illegal, and legally nullifying rural indebtedness. This ordinance has since been enacted into law, which provides, *inter alia*, that

(i) Bonded labour is illegal and every bonded labourer is freed from his bond to anyone. Those who have been detained in civil prisons shall be released forthwith.

(ii) No person who has been freed of bonded labour shall be evicted from any homestead or residential site which he had been in possession of.

(iii) Any violation of the provisions of the Act shall be a cognizable offence punishable with imprisonment, which may extend to three years, or fine upto Rs. 2,000, or both.

(iv) The financial liability of the bonded labourer stands extinguished, and no suit or any proceeding shall lie in any civil court or before any other authority for the recovery of bonded debt or any part thereof.

(v) Any custom or tradition or contract by any member of a family or dependant of such person who is required to render service as bonded labourer shall be deemed void and ineffective.

(vi) Vigilance Committees at the district and sub-divisional levels will be set up to advise the implementing authorities on all matters relating to the enforcement of the legal provisions of the Bonded Labour System (Abolition) Act, 1976.

The bigger question now is: What now, after bonded labour has been freed? What are they supposed to do after their release? Even if their indebtedness is legally nullified, who will advance loans to them? Redistribution of land through the implementation of land ceiling laws will be helpful to some extent. But here again it should be noted that all the surplus land available under the ceiling laws will not meet the requirements of the landless; and the pressure on cultivable land is bound to increase with growing population.

All these steps are commendable. But vested interests in rural areas are bound to undermine the revolutionary step which deprives them of easy income and free labour. To prevent this, grass-root workers of the Congress Party must be educated on the need to implement the economic programme. They must be prepared psychologically for the social changes envisaged by party leaders.

Secondly, the administration should be toned up for the implementation of progressive laws. If senior bureaucrats look upon the new legislation as a mere scrap of paper, the dynamism shown by the ruling party would go waste. A massive purge of party workers, as well as administrative staff who sabotage these legislations, should be carried out so that satisfactory implementation of Government's programmes to uplift the rural poor is ensured.

Thirdly, bonded labourers must be organised, so that they take full advantage of the measures initiated by Government. The Minimum Wages Act for agricultural workers, the measures introduced to remove rural indebtedness, and the formal abolition of bonded labour would prove ineffective as long as farm labour is not organised on a trade union basis.

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FREEDOM FOR BONDED LABOUR

D. D. NAIK

"Growth without social justice and economic equality is meaningless."

These words, coming from our Prime Minister, are very significant, and give a befitting and right direction to the planners and others concerned. In spite of a number of schemes introduced through the Five-Year Plans for the upliftment and economic development of the common man, a large section of our rural people continue to be as backward and as socially suppressed and economically exploited as they were before. Of these, the most oppressed sections of the rural population were bonded labourers.

The feudal practice of bonded labour, prevalent in many parts of the country, now stands abolished through a legislation known as the Bonded Labour System (Abolition) Act, 1976, which seeks to abolish and prevent the economic and physical exploitation of the weaker sections of the population Several States have also enacted legislation to achieve this purpose. Steps, too, have been taken to liquidate rural indebtedness. The following reliefs have been given to bonded labourers by law:

(1) Every bonded labourer stands freed and discharged from any obligation to render any bonded labour.

(2) All contracts for bonded labour for recovery of bonded debt, etc., are null and void.

SHRI D. D. NAIK is Hon. Secretary, National Co-operative Housing Federation Ltd., Bombay.

(3) The bonded labourers detained in civil prisons, whether before or after judgement, shall be released.

(4) No person, who has been freed and discharged under the Act, is to be evicted from any homestead or other residential premises he was in occupation of at the time the legislation became effective.

Legal emancipation alone, however, will not be sufficient to improve the economic conditions of the hitherto oppressed bonded labourers. They should be assisted to start a new life with an awareness of their rights as well as their responsibilities as free and responsible citizens. Any programme for their rehabilitation has to be drawn up after due consideration of their present economic and social status.

Economic Plight

The system of bonded labour has developed from the dependence of the vast bulk of the poor peasantry on landlords and big farmers. The consumption expenditure of the weaker sections of the rural population is invariably higher than their income. This compels them to take consumption loans, mainly from the rural rich, resulting in debt-bondage. The other method of enforcing bondage is through leasing out of land. Since this is an uneconomic holding, the meagre income from it keeps the poor peasant in perpetual deficit. In this way, an informal bondage is imposed on the poor peasant by the rich landlord, who gets the benefit of cheap and assured labour in exchange of a small piece of uneconomic land he has leased out. Another distressing feature of the appalling condition of a bonded labourer is that his wage-earnings are always far less than the earnings of the regular agricultural labourer.

The above analysis of the prevailing conditions of the bonded labourer are indicative of his economic and social plight. Although his freedom has now been ensured and he is relieved of his past debts, he still will have no wherewithal to start a new life. If his newly-acquired freedom is not translated into an opportunity to improve his living conditions, he is likely to react unfavourably to the whole

change and may willingly revert to his old status under the illusion that his former position provided him with some measure of social and economic security.

Bonded Security versus Freedom

High expenditure on consumption, uneconomic holdings and consequent deficit farming, absence of subsidiary occupations and alternative gainful employment have resulted in the prepetuation of the system of bonded labour. In spite of exploitation and ill-treatment by employers, many bonded labourers have had to be content with their lot, for they had no alternative source of money, and had, therefore, no other option but to work as bond slaves with their present employers By referring to the kind of social and economic security thus gained by them, some may justify the perpetuation of the system. A question may, therefore, arise: Has Government taken a wise step in abolishing bonded labour? No reasonable person, however, would question the wisdom of Government's action; for, in exchange of social and economic security, the system gives rise to many evils. For example:

(1) It enslaves a man.

(2) Usurious moneylending and consequent heavy debt burden make a labourer a hopeless destitute.

(3) Payment of very low wages reduces a labourer to the borderline of starvation.

(4) Absence of freedom to work and dire economic distress have resulted in a lack of motivation to maximise the yield of the small holdings leased out to the labourer.

The abolition of bonded labour is, therefore, the most desirable point in the Twenty-Point Programme launched for the amelioration of the weaker sections of the community.

After Freedom—What?

Past experience is sufficiently indicative of the fact that it is not enough to make legal provision for the removal

of an evil practice; this should be widely publicised as well because the persons whom it concerns are usually illiterate. Even when these people know about the existence of such legal provisions, they do not utilise them unless and until they are assured that they will not be compelled to go back to their masters for future loans and consequent bondage. Therefore, much care should be taken in introducing measures for relief and for the drawing up of programmes for their rehabilitation. No administrative delays should occur in granting relief. Persons appointed in the administrative machinery created for the rehabilitation of freed labourers should have an aptitude for social work. They should devote themselves to the task of the social and economic rehabilitation of these poor destitutes with required sympathy, understanding, imagination and innovation. The problem, therefore, will have to be tackled on two fronts—first, by redeeming and wiping out past debt commitments and, secondly, by providing a suitable machinery for their future financial needs.

Necessary Steps

The vacuum created by the wiping out of past debts without establishing a machinery for providing a credit-cum-marketing structure will create problems for the newly-freed rural poor. Debt relief alone, therefore, is not enough, but has to be supplemented by suitable arrangements which would ensure that these persons will not have to fall back on private moneylenders for their future loans. Once a bonded labourer is freed from the clutches of the moneylender-cum-landlord, he has to be assured of credit for production, land development and even for consumption purposes.

Besides the provision of institutional credit, the following steps had to be taken, or will have to be taken, with a view to rehabilitating freed bonded labour:

(1) Distribution of surplus land acquired under the agricultural land ceiling law to provide them with productive assets.

(2) Distribution of house sites and provision of finance for the construction of houses.

(3) Revision of minimum wages of farm workers to increase their earnings.

(4) Introduction of employment guarantee schemes to ensure employment in the off-season and a minimum living wage.

(5) Assistance in subsidiary occupations like poultry farming, purchase of milch cattle, etc

(6) Supply of farm equipment and farm inputs.

(7) Necessary guidance to be made available for improved farming.

(8) Provision of cheap credit for consumption needs.

(9) Preference should be given to them for employment as labourers on all works undertaken by Government.

One of the difficulties likely to be experienced in the process of rehabilitating freed bonded labour is with regard to the identification of bonded labourers. It is because of this difficulty that about seven million have so far been estimated to be bonded labourers.*

The system of bonded labour is widespread and is very much in evidence in some States. A study conducted by the Agro-Economic Research Centre, Vishva Bharati, at two points of time—between 1956-58 and 1961-63—has revealed that of the total number of agricultural workers in a selected village in Bihar, 38.4 per cent were working almost as serfs. The percentages of such workers to total agricultural workers were found to be 27.8 in West Bengal and 22.44 in Orissa. In one of the Bihar villages, the study found 89.58 per cent of the agricultural workers working on the "tie-in-allotment" basis.

In a survey undertaken in 1974 by the office of the Zonal Director, Backward Classes Welfare, South Zone, Madras, it was revealed that bonded labour was still in existence in

* Estimate given at the Labour Secretaries Conference held on 25th October 1976.

the Mysore and Hassan districts of Karnataka. In the name of "Jeetha" system, the scheduled castes and scheduled tribes were victims of this evil practice, and they had become bonded to their employers mainly because of their poverty.

The Commissioner of Scheduled Castes and Scheduled Tribes, in his report for 1973-74, has observed that several study reports from various Tribal Research Institutes, Directorates of Backward Classes Welfare, Government of India, and other organisations show that the system of bonded labour is very much in evidence in some form or the other in Bihar, Gujarat, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and Lakshadweep. The programme of economic rehabilitation of freed labourers cannot make headway until they are identified. It is, therefore, necessary to remove all obstacles in the process of identification, which may be classsified as (a) Psychological, (b) Economic, and (c) Procedural.

A labourer in bondage may accept his condition as predestined and hold the opinion that any change in his economic and social status may not help to bring about a better fate for him. The law may declare that he is a free man, free from any obligation to render any bonded labour, free from his long-standing debt; yet he may not accept the position, as he invariably thinks that he is morally bound to serve and thereby redeem his past debt. Any change in such an attitude can be brought about only through propaganda and education. Thus, the psychology of the bonded labourer himself may interfere with any efforts to bring about a change in his status.

The economic difficulty is based on the doubt in the mind of the bonded labourer about the efficacy of the new measures in improving his lot. He may not be ready to come forward and break his old shackles unless he is convinced that his old debts are wiped out and that he will not have to go to his former master for any fresh loans to meet his daily consumption needs.

The implementation of legal measures often calls for compliance with elaborate procedural requirements. An illiterate villager prefers to put up with his existing plight rather than attempt to better his position because of his ignorance of the legal procedures involved. The main task will, therefore, be to educate him to accept the change and further motivate him to exert himself for a better life. He should be convinced that the change has brought to him an opportunity to raise the levels of his income, consumption and employment.

Table 1

STATEWISE PROGRESS OF IMPLEMENTATION OF LEGISLATION RELATING TO BONDED LABOUR AS ON 31-10-1976

	No. of bonded Labourers identified	*No. of bonded labourers freed*
Andhra Pradesh	931*	931
Bihar	1,534*	1,534
Karnataka	51,988	51,709
Kerala	42,759	156
Madhya Pradesh	1,238	1,238
Orissa	285	143
Rajasthan	5,384	5,384
Tamil Nadu	2,416*	2,416
Uttar Pradesh	19,232	19,188
	1,25,767	82,699

Despite these difficulties, however, as many as 1,25,767 bonded labourers were identified by the end of October 1976, of which 82,699 were freed and 6,123 were rehabilitated. This much has been done within less than eight months after the Bonded Labour Abolition Act was enacted (see Table 1).

Note: It is claimed that there is no problem of bonded labourers in the States of Assam, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Maharashtra, Manipur, Nagaland, Meghalaya, Punjab, Sikkim, West Bengal and Tripura.

* The number of labourers identified is not known. But since 931, 1,534 and 2,416 have been freed in Andhra Pradesh, Bihar and Tamil Nadu respectively. it is apparent that at least that many have been identified in these States.

Role of Community Development

Voluntary organisations, which promote the welfare of the socially and economically backward sections of the community, can play an important role in the process of identification of bonded labourers. By personal approach and through constant propaganda, they can change their psychology and motivate them for self-improvement. Project officials in the Community Development Project Administration, who are expected to maintain day-to-day contact with the people, can also render useful service in the matter of identification of bonded labourers.

There may be many instances of persons who continue in bondage even after the abolition of bonded labour under Central and State laws. To ensure freedom for them, they may have to be provided with the necessary legal aid and advice. The Government of Madhya Pradesh, which is the first State in India to undertake a comprehensive programme to provide free legal aid and legal advice to the poor, has set up committees at different levels throughout the State for this purpose, covering all those who possess upto one hectare of irrigated land or two hectares of unirrigated land as well as those who have an income of less than Rs. 200/- per month. These committees have already been in operation in fifteen backward districts of the State. Other States would do well to emulate Madhya Pradesh in this respect.

Other Measures

A bonded labourer, on gaining freedom from bondage, attains the status of a marginal farmer and/or agricultural labourer. He, therefore, can be given the advantage of any programme which has been introduced for the benefit of this suppressed category of the rural poor. Government has established Marginal Farmers and Agricultural Labourers Agencies (MFALA). The objectives of these agencies are:

(i) To identify eligible marginal farmers and labourers in the area of operation;

(ii) To investigate into their socio-economic problems;

(iii) To formulate specific programmes for the development of this section of the population and to provide gainful employment for them;

(iv) To make well-defined plans and projects for the promotion of rural industries in the area;

(v) To evolve effective criteria regarding institutional finances and administrative arrangements for implementing various programmes; and

(vi) To create production, processing, marketing and storage facilities.

These agencies are not expected to administer the economic programmes directly; they only create conditions for the existing institutions and those sponsored by the MFALA for the implementation of the development programmes. With a view to achieving its objectives, the MFALA would utilise existing co-operative institutions for the implementation of economic programmes and would also support the organisation of special types of co-operative institutions like dairy co-operatives, poultry co-operatives and labour co-operatives. In addition to this, the Agency may also undertake the following activities:

(i) Organise labour contract societies to help them create favourable conditions for providing employment to their members;

(ii) Undertake the construction of small and minor irrigation works, such as wells and allied activities;

(iii) Undertake labour-intensive works so that employment to the participants covered under the activities of the Agency may be provided during the off-season;

(iv) Establish common facilities like godowns, cattle-feed mixing units and small processing plants; and

(v) Undertake the processing and marketing of products till suitable organisations for this purpose have been established in the areas of the Agency.

The Agency should also carry out a study of the social and economic problems of the area and, after identifying the number and needs of bonded labourers, should frame programmes of development for them as well.

SFD and MFAL Agencies

SFDA (Small Farmers' Development Agency) and MFALA (Marginal Farmers and Agricultural Labourers Agency) projects started functioning on a significant scale only from the co-operative year 1971-72. By the end of March 1975, 87 SFDA and MFALA had identified 19.90 lakh small farmers, 21.46 lakh marginal farmers and 4.68 lakh agricultural labourers; of these, 23.28 lakhs were brought within the co-operative fold. Of the identified farmers, 16.50 lakhs have been benefited so far under the programmes of improved agricultural practices and 9.97 lakhs under other programmes. During the project period upto March 1975, a sum of Rs. 61.14 crores was released to these agencies; of this, Rs. 57 16 crores had been utilised.

During the Fifth Plan, the number of these projects has been increased to 160, including the existing 87 projects. All the projects will be composite, covering small and marginal farmers and agricultural labourers. The parameters for identification of small and marginal farmers have been reduced to 2.02 hectares of dry land in the case of small farmers and 1.01 hectares of dry land in the case of marginal farmers.

Financial assistance to identified small and marginal farmers is provided in the shape of risk fund and managerial subsidy to strengthen the co-operative credit structure. To assist co-operative credit institutions in increasing their advances to the weaker sections of the community, the agencies provide risk fund at 9 per cent and 11 per cent on short- and medium-term loans respectively in SFDA and MFALA areas, and at 3 per cent on long-term loans. Bonded labour can be similarly identified and helped. It is evident that MFAL Agencies are the most suitable agencies to implement the programmes of rehabilitation of freed bonded labourers by providing credit and/or gainful employment.

Reorientation of Credit Policy

It has already been pointed out that it is not enough to free bonded labour from the obligation of paying their debts. This has to be supplemented by providing suitable arrangements which ensure that they will not fall victims to private moneylenders again. Once they are freed from the clutches of the moneylender, they are to be assured of credit for production, land development and even for consumption purposes. The new arrangement for finance should cover the following areas:

(a) Organisation and development of short-term, medium-term and long-term production credit; and

(b) The setting-up of a sales/purchase organisation to buy up all the produce at a fair price and in turn sell their daily consumption needs to them, including those pertaining to the lean months, and provide for annual or periodic community overheads at a reasonable cost.

Subsidiary Occupations

Besides providing credit, it is necessary to provide freed bonded labourers with the following subsidiary occupations to supplement their income through MFAL Agencies:

(i) Improved breed of buffaloes and cows should be provided through loans by Central Co-operative Banks. A subsidy of 33-1/3 per cent should be given by the Agency on the cost of animals.

(ii) For poultry development, loans should be made available through Central Co-operative Banks. A subsidy of 33-1/3 per cent on the capital cost may be provided by the Agency.

(iii) Distribution of sheep should be undertaken through loans by Central Co-operative Banks. The beneficiaries may be given one-third subsidy by the Agency.

(iv) There should be programmes to provide employment in jobs like soil conservation, minor irrigation, market roads, forest development and rural housing. For this pur-

pose, agricultural labour co-operative societies may be formed and encouraged.

Servicing through Rural Banks

It may be stated here that the above activities are provided in the programmes of work of MFAL Agencies under Centrally-sponsored schemes. The benefits of these programmes should be extended to freed bonded labourers by identifying their needs and enrolling them as beneficiaries of the programmes of these agencies.

A considerable section of the people now freed from bondage may belong to scheduled castes and scheduled tribes. Special schemes meant for the development of these backward communities should also be made applicable to them. Employment may be provided to freed tribals through schemes relating to the collection and exploitation of forest produce and afforestation programmes.

The programme of extending credit facilities to marginal farmers, agricultural labourers and rural artisans envisages the setting-up of 50 rural banks in the whole country. These banks are meant to meet the credit requirements of small and marginal farmers, agricultural labourers and rural artisans, following the measures taken by Government to liquidate rural indebtedness and eliminate moneylenders from the rural scene. At present, these rural banks have been opened at a few places in a few States. These banks should not only cover the areas not served by the co-operative credit structure and the MFAL Agencies but should also provide loans to freed bonded labourers for their economic rehabilitation.

Public Sector Banks

To step up the flow of credit to the agricultural sector, public sector banks have introduced special schemes and simplified application forms and lending procedures. They have also seen to it that small and marginal farmers and agricultural labourers are not denied bank finance for their genuine credit requirements for want of adequate security, and that their credit needs are met on a priority basis. This

reorientation in the banks' lending policies can be of special assistance to freed bonded labourers as well. Government has already introduced a credit guarantee scheme to encourage banks to undertake the financing of small borrowers on a large scale without excessive risk. A Credit Guarantee Corporation of India has also been set up for this purpose. Credit facilities covered under the various schemes of the Corporation by June 1974 amounted to Rs. 463.37 crores. In order to facilitate public sector banks to finance freed bonded labourers, the credit guarantee scheme should be made applicable to all loans provided by these banks to such people.

Difficult Solution

Admittedly, it is not an easy task to bring back into the mainstream of society these exiles from civilisation, even though each of the freed bonded labourers has been given two acres of land, some poultry and pigs. But, in many cases, the land allotted to them is rocky. Their rehabilitation, therefore, depends largely on the degree of sympathy shown by the district administration, for in most places people are excluded from programme implementation.

The problem of bonded labourers cannot be solved only by introducing legislative measures. It has to be tackled through various remedial measures as well. Since the problem of bonded/forced labour is a direct outcome of indebtedness, this problem should be tackled along with that of rural indebtedness. Further, it is not enough to make provision for the removal of this practice by law; the law itself has to be widely publicised and made known through a suitable public agency. In the final analysis, bonded labourers must be assured that they can embark upon a new, purposeful and meaningful life through gainful employment without any age-old debt hanging over their heads like a Damocles sword, enjoy the fruits of their hard labour, and live as free and responsible citizens of a great country.

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LIQUIDATION OF RURAL INDEBTEDNESS

AVINASH SUKLIKAR

The liquidation of rural indebtedness by stages and the establishment of suitable agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers is an important aspect of rural reform. This item is closely related to other rural reforms like the abolition of bonded labour, review of existing laws on minimum agricultural wages, provision of house sites for landless labour and other weaker sections in rural areas and distribution of surplus land among the landless. These reforms are not very new; they have been on the cards for all the years after independence. What the Twenty-Point Programme stresses is the determination of Governments, both at the Centre and in the States, to implement the provisions of the Acts already passed for these purposes.

No single reform has meant so much to so many as the liquidation of rural debts. Though it is too early to comprehend the gigantic transformation taking place in the countryside, the most significant aspect of the reform is the beginning of a psychological change in the age-old rigid rural society. Apart from the huge task of debt eradication, important structural changes are being made, such as an end to alienation of agricultural lands, complete stoppage of unauthorised moneylending and creation of a wide network of banking services. In terms of human

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DR. AVINASH SUKLIKAR is Deputy Chief, The Economic Times Research Bureau, Bombay.

values, this means an end of the miseries of generations of bonded labour.

Initially, the idea was to put a moratorium for two years on the payment of debt instalments and interest on loans of the rural poor. Subsequently, as it was realised that moratorium by itself would not solve the basic problem, ordinances and subsequent legislation provided for the complete liquidation of the debts of the rural poor. It was a very welcome move, though its implementation was partly stalled by the moneylenders making the whole issue *sub judice*. However, the Government initiated suitable amendments to the Constitution, barring the Courts from adjudicating on certain fundamental agricultural reforms.

Domination of Rural Rich

The issue of rural indebtedness is basically a problem of the unorganised sector Usually there is no written contract between creditor and borrower, and the only sure sanction for recovery in the hands of the creditors is the element of fear of strong-arm methods. The borrower on his part knows that he has nowhere to go for satisfying his basic needs if he is to live in the village. Moreover, a very insignificant portion of the creditor's capital is locked up by way of loans to the weaker sections. In many cases, these borrowers are working for their creditors as agricultural labourers or share-croppers or satellite small farmers. In addition to the traditional moneylender, the big farmer has now combined in himself the functions of trading and moneylending. The big farmer has thus emerged as a force in the rural sector. As early as 1959, an official report brought out the fact that big landlords extended credit to small farmers on condition of its repayment in agricultural produce and thus acquired control over crops after harvest. Though it is not necessary or possible here to go into the entire socio-economic structure of rural society, it must specifically be mentioned that the big and medium landholders (*i.e.*, households holding more than 10 acres of land), who are barely a third of the total number of cultivators, command two-thirds of the total cultivated land

(these have been the findings of repeated National Sample Surveys). It is this fact which accounts for the domination by a small section of the rural rich over a vast majority of the rural poor. The whole problem of rural indebtedness has, therefore, to be viewed against this background.

The third aspect of the issue naturally relates to the creation of alternative effective agencies to finance these vulnerable sections. Adequate and up-to-date data on the purpose of loan requirements of the rural poor are not readily available. However, some information is available in the National Sample Survey report relating to the year 1960-61; the information is in a clubbed form for cultivators and non-cultivators. According to the report, nearly 50 per cent of the outstanding loans of rural households were for personal consumption, including ceremonials. As would be obvious in the subsequent discussion, institutional finance for asset-building and other economic purposes has been largely utilised by well-to-do farmers All the surveys on rural credit have brought out this aspect even in regard to co-operative finance through primary co-operatives. The rural poor have rarely availed themselves of institutional finance, and whatever finance they were forced to raise from private moneylenders was mostly for consumption purposes, as they have very few avenues for economic betterment in the rigid rural society of today.

The Twenty-Point Economic Programme has this to say about rural indebtedness:

"We propose to take action by stages to liquidate rural indebtedness. While new schemes will be drawn up to devise alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers who own less than two hectares, there will be a moratorium on suits and executions of decrees for the recovery of debts from such groups. Debts from co-operatives, commercial banks and governments will be excluded from this scheme." Eradication of rural indebtedness is thus linked with the provision of institutional credit to the rural poor. More than a year has elapsed since the Twenty-Point

Programme was announced. Governments, both at the Centre and in the States, have implemented the various provisions of the Twenty-Point Programme. It would be worthwhile now to take stock of the progress achieved so far in providing debt relief.

Magnitude of Indebtedness

In this connection, the recent report of the All-India Debt and Investment Survey, 1971-72, of the Reserve Bank of India gives some statistics on the proportion of indebtedness and its quantum. The present survey is the third in the series by the Reserve Bank, the first two having been conducted in 1951-52 and 1961-62, the three together covering a period of two decades. In 1971, of the 78 million rural households, 43 per cent were indebted in some form or other. The corresponding percentages in 1961 and 1951 were 63 per cent each. Again, in 1971, 46 per cent cultivators were reported to be in debt, against 67 per cent in 1961 and 69 per cent in 1951. The average value of the outstanding debt for a cultivator was Rs. 612 in 1971, Rs. 473 in 1961 and Rs. 364 in 1951. In money terms, this means that, during a period of two decades, the indebtedness of an average cultivator has slightly less than doubled.

The report has classified rural households according to asset groups, ranging from Rs. 5,000 to Rs. 1 lakh and above. Broadly classifying the households by asset groups upto Rs. 5,000 as poor, upto Rs. 30,000 as middle, upto Rs. 1 lakh as rich and more than Rs. 1 lakh as very rich, the report reveals that in 1971-72, over 51 per cent were poor, 40 per cent middle, 8 per cent rich and only 1 per cent very rich. The weighted proportion of indebtedness of the poor was 39 per cent, of the middle group 46 per cent, of the rich 47 per cent and of the very rich about 46 per cent. The per household outstanding liabilities at the end of June 1971 were obviously of an ascending order. However, considering the burden of debt as percentage of assets, it was more weighing on the poor and middle groups than on the rich class. Thus measured, the debt burden has been the highest on the rural poor at 10.2 per cent of the total assets,

on the middle at 4.7 per cent, rich at 3.2 per cent and very rich at 2.4 per cent

The 1971-72 survey does not give any details about the credit agencies, though the two earlier surveys throw some light on this aspect. Professional moneylending, which formed about 47 per cent of outstanding loans in 1951-52, was reduced to only 12 per cent in 1961-62. A major portion of the loans was from relatives or other agriculturists. Borrowings from co-operative societies formed only about 12 per cent in 1961-62, according to the Reserve Bank survey. In all these, commercial banks played an insignificant role till their nationalisation in July 1969. A recent survey undertaken by the Directorate of Economics and Statistics of Rajasthan in Shahabad Panchayat Samiti area revealed that 60 per cent of the families lived on loans and they paid as high as 36 per cent and more rate of interest. About 60 per cent of the surveyed households had borrowed from moneylenders, landlords or traders at fantastic rates of interest. Of the borrowed amount, 55 per cent was from these private agencies; 30 per cent of the borrowings were from co-operative societies and banks The proportion of borrowings from moneylenders and private agencies was observed to be the highest—around 65 per cent to 80 per cent—in cases of scheduled castes and tribes.

One thing that stands out from the above data is that small cultivators, agricultural labourers and artisans are not conspicuous in rural borrowings. The big cultivators, because of their credit-worthiness, are the main borrowers both in proportion and quantity. In the present system of advancing credit, security still forms the basis. As the small farmers or landless labourers cannot offer securities against loans, their borrowing capacity or credit-worthiness is very low.

The Indian rural society, however, cannot merely be reduced to a phenomenon of statistical averages. The peculiar social structure of this society and the age-old inter-class relationships camouflage much of the rural picture. An important point, which was not dealt with in the

Reserve Bank report, relates to institutional finance, especially co-operative credit. The facility of these loans has been more enjoyed by the affluent cultivators than the small farmers. The report of the All-India Rural Credit Review Committee, 1969, commonly called the Venkatapaiah Committee, emphasised this aspect. Of late, the constitution of a committee by the Maharashtra Government under the chairmanship of Dr. V. M. Dandekar to ascertain why small landholders in the State do not take advantage of loans from the co-operative system is an evidence of the fact that co-operative credit has not yet reached the vulnerable strata of rural society. The non-agriculturists, representing landless labour and small artisans, were never thought of in the context of institutional finance. The spread of commercial banking in rural areas after nationalisation may have made a little dent in the situation in favour of small farmers and landless labour, though no authentic data in this regard are available. A recent Gujarat University survey has shown that the nationalised banks in the State extended more than three-fourths of the available credit to affluent cultivators.

According to the Reserve Bank Report on the working of co-operative societies for the year ending June 1973, the percentage of rural credit requirements met by co-operative agencies accounted for about a third of the total requirements; corresponding figures in 1953-54 were only 3.3 per cent and about 15 per cent in 1961-62. During 1973-74, primary agricultural credit societies advanced Rs. 761 crores and land development banks another Rs. 147 crores. The nationalised banks entered the field actively and provided about Rs. 707 crores for agricultural production at the end of December 1974. The banks had, at the end of June 1975, about 6,800 branches in rural centres against 1,832 at the end of June 1969 Co-operative agencies and nationalised banks together may be estimated to have met about 40 per cent of the total agricultural credit requirement. There is still a gap of about 60 per cent to be met. However, the policy of co-operative or banking agencies has not yet been

oriented in favour of the poor. These agencies have not yet reached adequately the marginal farmer or the agricultural labourer with a view to building up their economic viability.

Alternative Machinery

In order to translate, both quantitatively and qualitatively, the spirit of the Twenty-Point Programme and eradicate rural indebtedness, Government moved in the matter by starting five regional rural banks on 2nd October 1975. By March 1976, there were 19 such banks. The recommendation of the Saraiya Committee regarding rural banks, which are to be substantially agriculture-oriented, is very explicit about the functions of rural banks:

"While rural banks are basically banks and would perform all the banking functions, it will be desirable to enable them to perform certain non-banking functions such as constructing and maintaining godowns on their own, supplying as agents agricultural inputs, and acquiring agricultural and other equipment for leasing them out, providing assistance in the marketing of agricultural and other products and generally helping in the overall development of the villages in their areas." In 1972, the Banking Commission had gone into the problem in great depth and recommended similar agencies, with an emphasis on supervised credit and collection of deposits. The National Commission on Agriculture also wants similar agencies in the form of farmers' service societies, with emphasis on services.

These regional rural banks are to be different from the existing commercial banks in the following respects:

(1) Their area of operation will be limited to a particular region, comprising one or more districts in any State;

(2) They will grant loans and advances, particularly to small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities in their area of operations;

(3) The lending rates of the banks will not be higher than the prevailing lending rates of co-operative agencies

in any particular State (though, as a special case, they have been allowed to charge an additional small percentage); and

(4) The salary structure of the employees of regional rural banks will be prescribed by the Central Bank, having regard to the salary structure of the employees of the State Government and local authorities of comparable level and status in their area of operation.

Each of these regional rural banks has been sponsored by a Mother Bank or Sponsor Bank. However, the Steering Group on regional banks under Mr. V. Sivaraman has made certain points regarding the problems that would arise out of the working of rural banks. Will these banks be profitable if their operations are restricted to the vulnerable sections of rural India? Granting the major role of such banks as credit and service institutions, will they ever make profits if they continue to advance loans only to those who are economically very weak? Moreover, if they do not finance big farmers, the deposits with the rural banks will not be adequate to meet the demand for credit from the small man, in which case, the Sponsor Bank will have to make funds available at higher rates of interest. But such a situation will defeat the very purpose of setting up rural banks. Another question relates to the staff pattern of these banks, including the question of their salaries. It is obvious that the rural orientation of the staff is essential for the success of the entire scheme.

These are some of the real problems which will be faced by such institutions. However, the question of the profitability of rural banks cannot be stretched beyond a certain limit. As the basic function of these banks is to build up the economic viability of vulnerable sections, the profitability aspect will have to be played down, at least in the initial stages. To that extent, its requirements of advances will have to be subsidised, though it should be ensured that gradually it heads towards self-reliance.

One other point that needs to be emphasised in this connection is that the present know-how and experience of the existing co-operative structure should be utilised by a

system of close liaison between all the credit agencies, including the commercial banks. In the ultimate stage, all credit agencies, the primary co-operative societies, as also the rural branches of commercial banks, are to come under the fold of the rural banks. Such type of liaison is absolutely essential, right from the initial stages. Secondly, since the rural credit system has to cater to the needs of all the segments of society, big and small, rural banks will have to acquaint themselves in the initial years with the credit requirements (and functioning) of big farmers and other entrepreneurs.

Staff Pattern

Another important aspect relates to the staff pattern of rural banks. There is a distinct need for recruiting a separate cadre to run these rural banks as credit-cum-service agencies. Employees of primary co-operative credit societies will fit into this set-up with a little training and orientation. Another point is that these rural banks should draw upon the long-standing experience of the community development block system which permeates the entire country today. The all-round extension service rendered through these blocks can be a good guide for rural banks.

On the side of implementation, there is a need to revive the system of compulsory debt settlement boards, such as were created in 1937-38. A parallel may be found in the steps taken by the then Provincial Governments, particularly in the then undivided Bengal by Mr. Fazul Haq, in connection with the liquidation of rural indebtedness. Debts were scaled down and in many cases cancelled outright. Mr. Haq's Bengal Moneylenders Act freed millions of rural poor from the shackles of indebtedness and bonded labour. The real problem therefore is one of implementation, which calls for digging into the entire pattern of rural indebtedness and which must be related to the programmes of land reforms and distribution of surplus land among the landless. In the ultimate analysis, the entire problem centres round the need for placing some extra purchasing power in the hands of the rural poor, and this can only be done from

within the rural areas. In the circumstances, rural banks will have to have a distinct employment-oriented approach.

Urban Indebtedness

While problems of rural indebtedness have been tackled with some success, those of urban indebtedness did not receive much attention till recently, largely because they have never been viewed as being in any way linked with industrial productivity. In the wake of emergency measures, many States have begun to appreciate the magnitude of this problem. In spite of State level efforts, sufficient data are not available to present an all-India picture of the problem of indebtedness, and hence the analysis is bound to be somewhat speculative.

It has been observed that low-income groups and industrial workers borrow from various sources to meet their consumption needs. The urban poor borrow to fill the gaps between the regular income and spending which may have been occasioned by contingencies like marriages, festivities or illness. Besides these, not a small section of industrial workers spend on vices of all kinds. On the quantum of urban indebtedness, nature of borrowing, sources, interest rates and coercive and criminal tactics used to extort repayments, the Page Committee in Maharashtra has had something useful and worthwhile to say. The problem is more complex than is commonly assumed.

At the end of June 1974, total indebtedness amongst small farmers, agricultural labourers, village artisans and industrial workers in the six major districts of Maharashtra has been estimated at Rs. 203 crores. The districts covered were Bombay, Pune, Thane, Nagpur, Sholapur and Kolhapur. Of these, urban indebtedness (indebtedness among industrial workers and urban low-income groups) has been estimated at Rs. 52 crores or about 25 per cent. The Committee does not estimate the quantum of interest payment, which would amount to as much as the principal. It is a well known fact that such loans are from non-institutional sources and carry usurious rates of interest.

In urban areas, the main sources of loans to industrial workers are chiefly the Mill Workers' and Factory Workers' Co-operative Societies and private moneylenders. The quantum of loans advanced by relatives and friends is comparatively negligible. According to the Page Committee, about 4,947 licensed moneylenders advanced loans of Rs. 36 crores, while about 622 millowners and factory workers' co-operative societies made available loans totalling Rs. 18.16 crores (around 8.14 lakh workers benefited). Quite a big chunk, about one-third, of the total loans was observed to be from private moneylenders. This may be on the lower side, given the human tendency to conceal such facts. Again, there are no reliable data on the countless unlicensed private moneylenders, including Pathans, Dalals and various small-timers and even some social workers who make quite a fortune out of this business

Private moneylending activities have been increasing over the years. Licensed moneylenders' quantum of loans to industrial borrowers increased from Rs. 34.21 crores in 1971-72 to Rs. 52 crores in 1973-74. As expected, industrial workers in Bombay and Pune increased their quantum of borrowing from Rs. 16.43 crores and Rs. 9.78 crores in 1971-72 to Rs. 23.89 crores and Rs. 14.27 crores in 1973-74 respectively. This sum was used almost entirely for consumption purposes. Basically, the nature of urban indebtedness is bound to remain the same, though the quantum of indebtedness may vary from State to State.

Apart from the physical magnitude of this problem, the seriousness of its psychological ill effects on the minds of workers is alarming. It is here that the question of industrial productivity comes to the fore. A feeling of constant insecurity resulting from inability to repay loans and the consequent fear of liquidation of assets through coercion have become the bug-bear of industrial workers. In many cases, physical coercion and criminal assault resorted to by unscrupulous moneylenders have tended to generate a climate of terror. Viewed in this context, the problem of urban

indebtedness, though basically the same as the rural one, has far-reaching implications.

A few months ago, the Union Labour Minister had said that the Centre would soon enact a law placing a moratorium on the indebtedness of industrial workers. Government's steps in this regard are keenly awaited. However, abolition of private moneylenders at one sweep will not solve this socio-economic problem. For some time to come, Government will have to live with the bitter truth that the grip of private moneylenders on industrial workers may not be loosened easily. Nor can legislation alone do the trick. The most effective way to deal with this problem would be to raise the standard of living of industrial workers. This can be followed up by educating the workers and bringing them to a genuine concern with, and appreciation of, their social problems. This would have to start with the quantification of consumption requirements of the workers, and would call for a sustained effort for their satisfaction at the institutional level.

The Reserve Bank of India, too, can supplement the financial resources of the State level apex bodies. Commercial banks may be approached to help strengthen co-operative societies to wipe out indebtedness in a phased way. This will go a long way towards solving the problem of urban indebtedness, which is undoubtedly a very serious one. If it is allowed to grow, it may well become cancerous with the passage of time.

Table 1

AVERAGE VALUE OF INDEBTEDNESS PER HOUSEHOLD ACCORDING TO ASSET GROUPS

(as on 30-6-1971) *(in Rupees)*

Asset Group (in Rupees)	*Cultivators*	*Non-Cultivators*	*All Households*
Upto 500	113 38	77.27	81.92
500 — 1,000	142.69	136.22	138 26
1,000 — 2,500	222.78	238.04	228 93
2,500 — 5,000	303.04	354.76	312.62
5,000 — 10,000	416.09	543.77	427.11
10,000 — 15,000	588.08	873.92	588 57
15,000 — 20,000	681.10	—	689.59
20,000 — 30,000	986.65	—	985.53
30,000 — 50,000	1346.05	—	1340.19
50,000 — 100,000	2028 95	—	1981.52
100,000 and above	3918.56	—	3869.07
Total	611.96	218.92	503.07

Source: All-India Debt and Investment Survey, 1971-72, Reserve Bank of India.

Table II

NUMBER OF RURAL HOUSEHOLDS ACCORDING TO ASSET GROUPS (as on 30-6-1971)

Asset Group (in Rupees)	*Total Households (in Lakhs)*	*Percentage in Total*
Upto 500	88.69	11.4
500 — 1,000	65.07	8.4
1,000 — 2,500	120.76	15.5
2,500 — 5,000	125.37	16.1
POOR	399.89	51.4
5,000 — 10,000	142.71	18.3
10,000 — 15,000	75.67	9.7
15,000 — 20,000	44.39	5.7
20,000 — 30,000	48.66	6.2
MIDDLE	311.43	39 9
30,000 — 50,000	37.67	4 8
50,000 — 100,000	22.91	2 9
RICH	60.58	7 7
Above- 100,000 VERY RICH	7.51	1.0
TOTAL	779.41	100 0

Source: All-India Debt and Investment Survey, 1971-72, Reserve Bank of India (Percentage derived)

CONSUMPTION FINANCE THROUGH CREDIT CO-OPERATIVES

G. S. KAMAT

The Twenty-Point Programme announced by the Prime Minister includes, among many other things, action for relief from indebtedness for the rural and urban poor. Administrative and legal action was immediately initiated by various State Governments. Moratorium on repayment of debt has been given in some cases, while in the case of others measures have been taken for complete redemption. This discrimination was made on the basis of different categories of indebted persons such as small farmers, marginal farmers, landless labourers, factory workers, etc. The small farmer for the purpose was defined as one who held land admeasuring more than one but less than two hectares of unirrigated land. Similarly, a farmer who held land admeasuring not more than one hectare of unirrigated land and who cultivated personally such land or as a tenant or as a share-cropper cultivated land admeasuring not more than one hectare of unirrigated land was defined as a person who did not hold any agricultural land and whose personal income for livelihood was from manual labour on agricultural land. The income of persons in all these categories did not exceed Rs. 2,400/- per annum. Urban workers, either employed in factories or pursuing other occupations and having an income of not more than Rs. 500 per month, were also covered by debt relief measures. (The term "income" in this case included, apart from the

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DR. G. S. KAMAT is Head, Department of Marketing Management and Co-operative Marketing, Vaikunth Mehta National Institute of Co-operative Management, Pune.

salary, income by way of rent, interest, bonus, provident fund contribution and credits, pension, including other tax-free income, if any.)

Complete relief from indebtedness in one stage was given to landless labourers, rural artisans (with an income of less than Rs. 2,400 per annum) and urban workers. Every debt, including the amount of interest payable, if any, by a person in this category with effect from the prescribed date was deemed to have been wholly discharged.

The inter-ministerial group appointed to suggest suitable action estimated that only twenty per cent of the gross value of the agricultural produce of the small farmers was available for repayment of debts. The period of repayment of debt was calculated up to seven years. There was to be no recovery of amount in excess of the debts scaled down. Interest on debt was to be calculated at the rate applicable to debt under the law, custom and contract or at 6 per cent per annum, whichever was less. Credit was given for all the sums paid towards outstanding interest and the balance, if any, was credited towards the repayment of the principal.

Disparities

These measures were essential because they covered the weaker sections who have been neck-deep in debt for generations. They constitute nearly 65 per cent to 70 per cent of the population. The terms on which they had borrowed money were extremely exploitative in nature. A landless labourer, for instance, borrowing a paltry sum of Rs. 50, was compelled to work as a bonded labourer while he paid back small amounts from time to time to the moneylender, amounting to more than the principal and interest due. Even after a period of 20 years or so, such a person was still liable to pay a sum of Rs. 1,000 if he was to be set free from the slavery of debt. There are thousands like these, eking out their living in such conditions. They simply cannot be expected to save for their future, nor can they ever hope to save their children from being entrapped in the

same vicious circle. The plight of daily wage-earners in urban areas was not materially different.

A sizable amount of finance has been made available through co-operatives to the agricultural sector over the period of different Five-Year Plans in this country.[1] The technological support through extension facilities and supply of costly inputs has also percolated to the level of many farms. Agricultural production as a result has gone up and, naturally, the returns to these farmers also have recorded a rise. However, the benefits have been restricted to the few more favourably placed in agriculture, while the disparities have been accentuated. Rural workers and small and marginal farmers are the ones who have lagged far behind, economically and socially.

In the period following the implementation of the recommendations of the Rural Credit Survey Committee Report, the pattern of distribution of credit has shown significant shifts. The share of institutional credit has no doubt shown a sizable increase, while that of private agencies in the field has definitely recorded a fall. However, in the process a new class of agriculturist-cum-moneylender has come to the fore, significantly as a source of finance. Their share in the total credit to agriculture has gone up to 36 per cent, while that of the professional moneylenders has recorded a fall to 13 per cent. The share of relatives as a source of credit declined from 14 per cent to 9 per cent; but that of the traders has gone up from 6 per cent to 8 per cent. Those classified as "others" also recorded a significant rise from 2 per cent to 17 per cent. (These included shopkeepers, doctors, lawyers, etc.) This category was not included in the first all-India survey of 1951-52.

Follow-up

It will be recognised that providing debt relief with the help of specific legal measures is relatively more easy than the follow-up action through an effective alternative

1. See Table I in "Commercial Banks and New Economic Programme."

arrangement which will not result in the repetition of the old mistakes and malpractices. A quick substitute arrangement can alone sustain the desirable impact of the radical legal measures taken earlier. Compulsory liquidation or scaling down of overdue debts is bound to lead to a situation where private sources of credit, that have been traditionally meeting the credit needs of the poor farmers or workers over the years, will dry up The gap is big and wide and needs to be quickly filled to avoid the frustration that may arise for want of an alternative institutional set-up (which also has to be free from the defects of, and inclusive of all the good points in, the old agencies) A co-operative agency at the level of workers/farmers, owned and supervised by themselves for their own benefit, would be most appropriate for the purpose. No other institutional agency is as widespread and economical as the co-operative agency in the present conditions, though this agency needs to be strengthened, managerially and financially. The task is complicated because costs will have to be kept down and small accounts will have to be closely supervised and guided. This is possible only in a co-operative agency. The structure above may be of any type, but it should be sufficiently oriented in favour of a primary co-operative agency and be sympathetic to its members' needs.

Support to Co-operatives

It is true that the present co-operative credit unit, even at the primary level, whether in village or in town, is not completely free from defects. Since committees of experts have proved that the major benefit of concessional credit has gone to the relatively big farmers, the conclusion is inescapable that the management of even the primaries is dominated by vested interests. This belief is further strengthened by the existence of overdues at a high level. In the circumstances, primary co-operative societies will have to be revitalised and strengthened, managerially and financially. The Sivaraman Committee, which was set up soon after the initiation of the Twenty-Point Programme, has estimated that nothing less than about Rs. 20 crores will be

required to strengthen the co-operative structure and that this amount will have to be provided by the Central Government. It is of the view that primary societies must be strong and viable, managed by full-time paid secretaries to ensure professionalised management. Today, less than one-third of the primaries are being managed by full-time secretaries. If about 50 per cent of the primary co-operatives are to be taken to this level, then this challenge will have to be faced on a "war-footing", the committee observed. The gaps that would still remain would have to be departmentally filled by State Governments. Such "grey areas" will require about Rs. 100 crores, which will have to come out of the budgetary resources of State Governments. The total estimate, made by this Committee, of the consumption credit requirements of farmers holding land up to five acres is of the order of Rs. 295 crores; the holders of land between zero acre and 0.50 acre will require Rs. 170 crores, while those between 0 5 and 5 acres will need Rs. 125 crores If the existing primary co-operative credit societies are strengthened, they will be able to take care of farmers having holdings between 0 5 acre and 5 acres. The Committee has suggested the institution of a fund for risk margin assistance at 10 per cent of the total amount of loans advanced by these primary co-operative credit societies.

These recommendations should indeed enable the primary rural co-operatives to provide consumption credit for which, until recently, there was no scope. The already existing meagre funds of the societies and their federal banks were locked up in overdues and/or under the minimum involvement and non-overdue cover conditions.

The new approach to the problem, therefore, will call for a re-statement of the policy bearing on credit for the weaker sections in rural and urban areas. To decide about its minimum level of involvement and non-overdue cover, the Reserve Bank of India will have to exclude from its calculations those amounts that have been advanced by co-operative credit agencies to the weaker sections covered by debt relief measures, for these amounts will obviously

Table 1

ADVANCES OF AGRICULTURAL PRIMARY CO-OPERATIVES TO WEAKER SECTIONS (in percentages)

	1969-70	1970-71	1971-72	1972-73	1973-74	*Mean percentage*	*Mean annual rate of growth*
Andhra Pradesh	44 0	42.4	38.0	43.1	36.4	40 8	— 1 05
Assam	40 1	37.5	84.2	84.2	84.2	66 0	+ 13.49
Bihar	—	—	—	70.1	70.1	70 1	—
Gujarat	17.1	16.1	18 0	17.8	—	17.3	+ 0.20
Haryana	41.8	38.4	32.1	38 8	46 1	39.4	+ 0 90
Himachal Pradesh	72 6	53.8	66.4	64 3	67 5	64 9	+ 0 03
Jammu & Kashmir	.	..					
Karnataka	—	38.0	66 3	43.2	40.2	46.9	— 0 83
Kerala	66.1	85.1	78.3	68.8	69 1	73 5	— 1.83
Madhya Pradesh	—	15.9	13.3	13.7	11.9	13.7	— 0 58
Maharashtra	23.6	21.6	21.1	23.1	23.8	22.6	+ 0.19
Orissa	..	45.1	45.0	45.3	44 5	45.0	— 0 08
Punjab	41.4	42 9	36.4	37.3	44.5	40 5	+ 0 06
Rajasthan	.	24.7	28.1	35.9	30.2	29.7	+ 1.22
Tamil Nadu	29 8	29.3	17.3	29.1	29.1	26.9	— 0.16
Uttar Pradesh	33.1	35.4	36.8	38.9	38.0	36.4	+ 0 53
West Bengal	.	.	.	..	25.2	25.2	—
All India	33.2	31.3	29.5	32.5	34.0	32 1	1 28

... Break-up not available — Incalculable.

Source: Computed from the data available in the Statistical Statements Relating to the Co-operative Movement in India, Part I, Credit Societies, Reserve Bank of India, August 1975.

come out of its own funds. Government assistance will also be necessary for strengthening these funds, as stated by the Sivaraman Committee. At the same time, the habit of thrift will have to be emphasised and encouraged amongst the people covered by these measures. Unfortunately, however, this fact has all along been ignored in India.

Total Coverage of Weaker Sections

A more important aspect of the scheme, as it would be implemented through the primary co-operatives—both urban and rural—is the emphasis placed on diversifying the operations of these agencies. *The entire life of the members will have to be covered—his credit and non-credit needs.* (See Table 1). This is necessary not only for the convenience of the members but also for making the business operations of the agencies broad-based and balanced. Most of the problems have arisen because of the lop-sided character of the operations of these agencies. Dispensation of credit (mostly in cash) without sufficient arrangements for follow-up measures and corresponding institutional linkage for recovery has resulted in irrecoverable overdues. As a result, credit channels get blocked and credit agencies become weak.

The weaknesses of primary societies arise mainly out of their totally inadequate coverage of small farmers and agricultural labourers, the existence of vested interests, village factions and the low level of managerial competence. The primary co-operative structure will have to be reorganised along the lines suggested by various expert committees, particularly in regard to its viability and the responsibilities cast on it to meet the total requirements of the eligible members in its area of operation. Its capacity to maintain the requisite paid staff to manage efficiently such activities as credit, supply of inputs, consumer goods and storage will also have to be improved. This should enable the village primaries to help the small farmers, agricultural workers and artisans to get credit in small sums and

with greater frequency through procedures that are less complicated and through satisfactory supervision over their business and personnel, their financial and non-financial operations. This certainly will call for a second look at the size of the primary societies While they cannot remain as small as they are today and limited to one village, they cannot be too big either and be beyond the reasonable reach of such categories of people as are to be kept away from local moneylenders (See Table 2.)

In urban areas, where urban co-operative banks exist, these have to take calculated risks in order to accommodate poor workers and small artisans who have been freed as a result of the latest debt relief measures. In areas where urban co-operative banks are not available, urban credit societies will have to be set up to function on lines similar to those of the village primaries. While such primaries are considered unavoidable and justifiable on all accounts, care will have to be taken to ensure that vested interests do not infiltrate them. It is difficult to conceive the setting up of special primary co-operatives only for the weaker sections (except perhaps in tribal areas), as these may not become self-reliant in the foreseeable future, nor would these be able to command such resources of men, money and material as would enable them to render effective service to needy members. It has been suggested by some experts that in such viable societies, a separate sub-committee, consisting of persons belonging to the weaker sections, may be set up to overcome any limitations. The latest report of the Page Committee in Maharashtra (1975) has recommended delegation of powers to such a sub-committee in regard to dispensation of credit, which should include not only the sanction of production credit but also consumption credit. The proportion of the latter to total credit would obviously be more in such cases.

Crop Loan Extension Scheme

In this connection, reference may be made to experiments made by the Maharashtra State Co-operative Bank

in Nasik District under its crop-loan extension scheme, which is appropriately relevant to meet the requirements of small and marginal farmers and agricultural workers living below subsistence level. Unfortunately, the experiment did not

Table 2
MEMBERSHIP OF AGRICULTURAL PRIMARY CREDIT CO-OPERATIVES AS ON JUNE 30, 1974

(in '000)

	Total	*Scheduled Castes and Scheduled Tribes*
Andhra Pradesh	2454	471 (19 1)
Assam	389	—
Bihar	2802	—
Gujarat	1659	319 (11.3)
Haryana	741	98 (13.2)
Himachal Pradesh	491	76 (15.4)
Jammu & Kashmir	284	—
Karnataka	2168	248 (11 3)
Kerala	1894	—
Madhya Pradesh	2273	697 (30.6)
Maharashtra	3665	599 (16.3)
Orissa	1624	632 (38.9)
Punjab	1507	219 (14.5)
Rajasthan	1500	537 (35.8)
Tamil Nadu	3603	—
Uttar Pradesh	6460	—
West Bengal	1125	242 (21 5)
Total	19524	4144 (21.2)

— Break-up not available.

Figures within brackets are percentage to total.

Sources: Statistical Statements Relating to Co-operative Movement in India, Part I, Credit Societies, Reserve Bank of India, August 1975.

meet with the expected success, probably because the human resources fell short of requirements. The scheme required preparation of family budgets of the people falling within its purview and pooling their income from any source (farm and non-farm). This gross income formed the basis on which credits in cash and kind were provided on a continuing basis. Such a scheme, undoubtedly, calls for a re-trial, but now on a more organised footing, for it should place special stress on organisational and financial strength.

The costs of managing such co-operatives may indeed appear to be high but these will have to be met, at least partly if not fully, by District Central Co-operative Banks and/or their State Federations. Government and public sector financing agencies would also have to provide certain concessions and assistance to the agencies responsible for implementing the specific scheme. It has to be accepted that financially non-viable schemes, which are to be implemented through business institutions such as co-operatives, must receive the active support of Government, for a basically weak co-operative structure may not be able to bear the whole brunt of the risks and costs involved in financing economically non-viable propositions. The stronger agencies of the lot may be expected to allocate specific resources for such specific schemes (even then this may not be adequate); but the number of such institutions is very small, as has been brought out in the Sivaraman Committee's report referred to earlier. In any case, the conviction has been growing that a co-operative agency alone will be appropriate to fill the gaps created by debt relief measures. Hence the stress on justifiable external assistance and support to co-operatives in a given situation.

Complementary Measures

While the co-operatives will be carrying on operations among the weaker sections, Government will have to ensure that the law relating to moneylending is effectively and simultaneously enforced. There have been a number of loopholes in the enactment and enforcement of moneylending legislation which need to be plugged, for unlawful

moneylending business has been going on for a long time undetected, mainly because of slackness and inefficiency. In some States, the Co-operative Department has been in charge of this regulatory function. However, in the face of its increasing responsibilities *vis-a-vis* the co-operatives and their development, this function of the Co-operative Department has not attracted the attention it should have. Hence administrative support of a supplementary and complementary nature in regard to enforcement of moneylending laws is vitally necessary if co-operatives are to replace successfully the indigenous moneylending agencies.

But debt relief measures and reorganised institutional arrangements can lead us only up to a certain point, and not beyond, in agriculture. Hence, a comprehensive land reforms programme, drawn up and enforced with a clear perspective, alone can create the right and enduring environment for the uplift of the vulnerable sections in the community. Unfortunately, we are still rather sluggish in the implementation of the reform measures already taken.

In response to the pressures of the times, some District Central Co-operative Banks have reformulated their policies and drawn up special programmes to meet the specific requirements of the weaker sections in their areas of operation. This programme has yet to gain momentum. It may be suggested that a District Central Co-operative Bank should evolve schemes for the organisation of new societies or to enable existing societies to meet the requirements of the vulnerable sections of rural and urban communities. It is true that they may incur losses in the process; but a part of these losses and costs can be recovered by charging differential rates of interest on the basis of the crops and/or the size of the loan to well-placed borrowers. Schemes relating to the development of dairies, poultry-farming or piggery will have to be implemented on a larger scale and credit for these productive activities will have to be supplemented by a sizable provision for consumption finance also. A part of the security may also be available for certain loans given to rural labour and marginal farmers working under the Employment Guarantee

Scheme by establishing a link between the credit advanced and the wages receivable from the agency enforcing the Employment Guarantee Scheme. Of course, this also presumes that the Employment Guarantee Scheme is fairly extensive and working on sound lines to provide requisite security for advances by a bank. Even so, some limitations may be obvious; such as the location of the work, nature of the project, the area of operation of the primary society of which the borrowing person is a member. These will have to be appropriately overcome.

Indigenous agencies have thrived by providing consumption credit to vulnerable sections at exorbitant interest. All the credit schemes so far devised have, however, neglected this consumption aspect of credit planning. Various expert committees have referred to this important gap, and some have criticised the approach as being virtually obsessed with the "production credit concept". The Tandon Committee observed: "There has never been and there still is no tradition of bank lending for personal consumption." The Gadgil Study Group of the National Credit Council remarked: "There is also a credit gap in the Indian economy so far as consumption needs are concerned .... More recently, some of the bigger banks have started giving loans for the purchase of durable consumer goods, but loans for special purposes like treatment of illness, education, etc., are still rather uncommon." Personal loans are not such poor credit risks even in the case of the weaker sections as they are made out to be, provided that the borrowers are comprehensively and completely covered by institutional agencies. Co-operatives will, of course, still need the support of Government and public sector agencies, both financial and non-financial. There is immense scope for dynamism and diversification of the lending pattern of co-operatives with a view to enabling them to serve the weaker sections better. In the process, they can also be educated for a more business-like approach to the use of credit.

MINIMUM WAGES IN AGRICULTURE: PROGRAMME

S. D. PUNEKAR

Agricultural labour in India suffered seriously, mainly because of the peculiar agrarian structure created by the State more for its own convenience than for the welfare of the people or for the improvement of the land. The State, as the supreme owner of land, created for its own sake a class of intermediaries or middlemen (known variously as zemindars, jagirdars, inamdars, rajas, etc) who were declared to be the proprietors of the soil and were given all property rights, except prescriptive or customary rights. In actual practice, they acted as agents of the ruling authorities. The land tenure system, or the system in which land is held in ownership, was fashioned accordingly. The interest of the State in recognising the land tenure system had been, till Independence, mainly limited to the convenience in the collection of maximum land revenue and not to agricultural efficiency or agriculturists' welfare.

Victims of Agrarian Structure

It has been universally agreed since times immemorial that the State is entitled to a certain portion of the produce of every acre of land, and the Hindu and Mogul kings had fixed this share as high as five-sixths. The intermediaries, on their part, collected from persons below them the maximum possible share, so that they could maintain a sizable balance for their own benefit after the payment of the State's share. The British Government, through a permanent settlement

DR. S. D. PUNEKAR is Professor of Social Sciences, Tata Institute of Social Sciences, Bombay.

system, created a class of permanent intermediaries (zemindars), who owned hundreds of villages. Such a system was convenient to the British rulers, because it resulted in security of tenure, stability in payment of land revenue and savings in effort and money on the part of the State. At the same time, it vitiated the agrarian structure by numerous evils, such as rack-renting, oppression of tenants, inelasticity of land revenue, excessive sub-infeudation, fragmentation of land, creation of a separate rentier class living entirely on the fruits of the labour of others, non-cultivating ownership of land, wide inequalities in land-ownership, a chain of parasitic agents and sub-agents, widespread litigation on account of failure to clarify the legal rights of the intermediary and his agents, and lack of interest of all parties in the improvement of land. The agricultural worker or the landless labourer was at the bottom of this agrarian structure and had to bear the burden of the exploiting classes above him. He received low and irregular wages and suffered from inhuman treatment at the hands of his superiors. He had naturally no interest in higher agricultural yield or in any permanent improvement in land.

Land Reform

After Independence, planning for development had to take into consideration land reform programmes, which had two specific objectives—economic and social. The economic objective was to remove such impediments to increases in agricultural production as had arisen from the agrarian structure inherited from the past; the aim was to create congenial conditions for evolving as speedily as possible an agricultural economy with high levels of efficiency and productivity. The social objective, which was closely linked to the economic objective, was to eliminate all elements of exploitation and social injustice within the agrarian system, to provide security for the tiller of the soil and assure equality of status and opportunity to all sections of the rural population. To achieve these objectives, the land reform measures included: abolition of intermediary rent-receiving tenures or the zemindari system; tenancy reform,

mainly through legislation, for regulation and reduction of rent, security and fixity of tenure and clarification of ownership rights (particularly conferment of these rights on tenants); fixation of ceiling on agricultural holdings to reduce disparities in land-ownership, re-organisation of agriculture through land consolidation, co-operative farming and co-operative village management; and improvement in the working and living conditions of agricultural labour. Acharya Vinoba Bhave's Bhoodan and Gramdan movements worked for the attainment of the same objectives on the non-official plane.

Quantitatively, agricultural labour forms an important section of our working population, as can be seen from the following statistics for 1961 and 1971·

	1961	1971
1. Total Population (Millions)	439.23	548.16
2. Total Workers (Millions)	188.57	180 04
3 Agricultural Workers (Millions)	131.05	126 01
(a) Cultivators (Millions)	99.53	78 71
(b) Agricultural Labour (Millions)	31.52	47.30
Percentages		
(a) Agricultural Workers to Population (Cols. 3 : 1)	29.8	23.0
(b) Agricultural Workers to Workers (Cols. 3 : 2)	69 5	68.6
(c) Agricultural Labour to Workers (Cols 3b : 2)	16 7	25.8
(d) Agricultural Labour to Agricultural Workers (Cols. 3b : 3)	24.0	37.5

Though a comparison between the 1961 and 1971 statistics cannot be made because of the change in the definition of "worker", it cannot be denied that agricultural labour forms quantitatively an important segment of India's working population. The 1971 Census definition of an agricultural labourer was as follows: "A person who works in another person's land for wages in money, kind or share should be regarded as an agricultural labourer. He has no risk in the

cultivation but he merely works in another person's land for wages. The labourer could have no right of lease or contract on the land on which he works" Marginal cultivators, whose subsidiary occupation might be agricultural labour, are excluded, as also other workers engaged in activities ancillary to agriculture like animal husbandry, poultry, fishing, forestry and dairying.

Plans and Agricultural Labour

One of the primary objectives of every Five-Year Plan was to bring about improvements in the economic conditions of agricultural labourers and to remove the social disabilities from which they suffered in the past. The *Third Five-Year Plan* observes: "The two principal problems are the place of agricultural labour in the future rural economy and provision of work. In the past, the village economy was rooted in a scheme of stratification, largely based on caste and occupation. As a result of various measures of social reform and the efforts made since Independence, the social handicaps associated with agricultural labourers, and with backward classes generally, have greatly diminished. At the same time, the economic problems of these sections of the population, especially the need for larger opportunities for work, have been thrown into sharper relief." (*Report, p. 374*).

Here, again, are the twin objectives—economic and social. To achieve these, the Plans have made many proposals. The First Plan recommended the settlement of agricultural labour and protection against ejectment from households. The Minimum Wages Act 1948 was applied to employment in agriculture. As wages are normally linked to productivity in agriculture, the Plan suggested that, in enforcing minimum wages, the attention should first be paid to low-wage pockets in the country. The Second Plan envisaged a number of special schemes for the benefit of agricultural labourers, including schemes for resettlement, grant of house sites and formation of labour co-operatives, and recommended that, in rural programmes, high priority should be given to schemes intended to benefit such of the weaker

sections of the population as agricultural labourers. Subsequent Plans envisaged improvement in the conditions of rural areas by such means as rural electrification and better educational and medical facilities.

Economic Conditions

The economic conditions of agricultural labour in India may be illustrated from the findings of the two Agricultural Labour Enquiries (1950-51 and 1956-57). These findings are summarised below:

	1950-51	1956-57
1. No. of sample villages surveyed	800	3,600
2. Estimated No. of rural households (million)	58.9	66 6
3. Estimated No. of agricultural labour households (million)	17.9	16 3
4. Percentage of landless households out of No. 3	59	57
5. Proportion of attached to casual agricultural labourers	10 : 90	27 : 73
6. Average size of agricultural labour households (persons)	4.3	4.4
7. Average No of wage earners	2.0	2.03
— Men	1 1	1.13
— Women	0.8	0.74
— Children	0.1	0.16
8. No of days employed for wages in a year		
— Men	200	197
— Women	134	141
— Children	165	204
9. No. of days self-employed in a year		
— Men	75	40
— Women	N.A.	27
10. Percentage of wages to total income	76	81

11	Wages paid (percentage of mandays)		
	— in cash	56.0	48.7
	— in kind	31.3	40.5
	— partly in cash and partly in kind	9.8	10.8
	Information not available	2.9	—
12	Average daily wage (paise)		
	— Men	109	96
	— Women	68	59
	— Children	70	53
13.	Average annual income (Rs.)	447	437
	Percentage on —		
	(a) Cultivation of land	13.4	6.87
	(b) Agricultural labour	64.2	73.04
	(c) Non-agricultural labour	11.9	7.99
	(d) Other sources	10.5	12.10
14.	Average annual consumption expenditure (Rs.)	461	617
	Percentage on —		
	(a) Food	85.3	77.3
	(b) Clothing	6.3	6.7
	(c) Fuel and lighting	1.1	7.9
	(d) Miscellaneous and services	7.3	8.1
15.	Excess of expenditure over income (Rs.)	14	180
16.	Indebtedness		
	(a) Percentage of households in debt	45	64
	(b) Average debt for household (Rs.)	47	88
	(c) Average debt for indebted household (Rs)	105	138
	(d) Total volume of indebtedness (Rs. in crores)	80	143

The agricultural labour households are thus suffering from low income, high indebtedness and lack of amenities.

Socially and economically, agricultural labour occupies the lowest rung of the rural ladder. Of the 47.30 million agricultural labourers in 1971, 15.99 million were women; more than half (50.5 per cent) of the female work-force in India is working as agricultural labourers, who are manual, unskilled workers. The National Labour Commission

observes: "Agricultural labour is provided mostly by economically and socially backward sections; poor sections from the tribes also swell their ranks... Nearly 77 per cent of the scheduled caste workers in rural areas are either cultivators or belong to the category of agricultural labour. Among scheduled tribes, the percentage is slightly over 89.' (*Report*, pp. 393-394.) As against this low social and economic status, agriculture accounts for 50 per cent of our national income and engages about 70 per cent of our working population.

Wages and Earnings

Interesting information about agricultural labour in India is available in the reports of the two Agricultural Labour Enquiries (1950-51 and 1956-57) referred to earlier and in the report of the Rural Labour Enquiry (1964-65). The report of the last Enquiry, which was published in 1975, covers rural labour, including agricultural labour. A comparative picture of conditions of agricultural labour can be had from these reports. For example, Table 1 (taken from

Table 1

Operations	1950-51	1956-57	1964-65
	Earnings per day (Paise)		
I. All Agricultural Operations:			
(i) Men	109	96	143
(ii) Women	68	59	95
(iii) Children	70	53	72
Different Agricultural Operations:			
Men workers			
(i) Ploughing	105	100	139
(ii) Weeding	89	88	142
(iii) Transplanting	116	111	186
(iv) Harvesting	126	93	143
Women Workers			
(i) Sowing	60	82	97
(ii) Weeding	54	52	87
(iii) Transplanting	72	69	115
(iv) Harvesting	79	58	95
II. Non-Agricultural Occupations:			
(i) Men	108	107	154
(ii) Women	61	62	92

the *Indian Labour Year Book*, 1971, p. 285) gives the average daily earnings (paise per day) of agricultural labour households in agricultural and non-agricultural operations during the three enquiries (1950-51, 1956-57 and 1964-65).

Household Income

The average annual income (by sources) of agricultural labour households, as revealed by the three enquiries, is as follows:

Source of Income	*Annual Income (Rupees)* 1950-51	1956-57	1964-65
(a) Cultivation of Land	59.90	30.07	42.54
(b) Wage-paid Manual Employment	340 16	354.49	544.85
(c) Wage-paid Non-manual Employment	*	*	10.83
(d) Household Enterprise other than Farming	*	*	22.50
(e) Other Sources	46.94	52.91	39.47
Total	447.00	437.47	660 19

* Included in "Other Sources."

In contrast to this, the average per capita annual earnings of an employee in the manufacturing industry were Rs. 2,729 in 1970, *i.e.*, more than four times the income of an agricultural labourer.

The Minimum Wages Act, 1948

The Minimum Wages Act, 1948, provides for the fixation of minimum wages in certain employments specified in the Schedule to the Act. The employments in the Schedule are those where sweated labour is most prevalent or where there is a big chance of exploitation of labour. Part II of the Schedule deals with employment in agriculture, *i.e.*, with agricultural labour.

Ineffective implementation, particularly in the agricultural sector, has been an unfortunate characteristic of this

legal enactment right from the beginning. The Act came into force on 15th March 1948 and required the appropriate Government to fix minimum rates of wages in agriculture within three years, *i.e.*, by 15th March 1951. The Central Government could finalise the Central Minimum Wage Rules only in October 1950, which were to serve as a model for the States. Hence, none of the State Governments adhered to the date prescribed. The Act was, therefore, amended in 1951, extending the date of fixation of minimum wage rates for agriculture to 31st December 1953. As a number of States could not fix the rates of wages even by this extended time-limit, another amending Act was passed in 1954, extending the limit to 31st December 1954. The Act was further amended in 1957, extending the limit to 31st December 1959. Ultimately, the time-limit for fixation of minimum rates of wages was dispensed with in 1961 by an amendment of Section 3 of the Act.

Inadequate implementation is also due to inadequacy of staff. For example, the Maharashtra Government has no separate staff for the implementation of the Minimum Wages Act. The officials of the Factory Inspectorate, of the Labour Commissioner's office, Shops and Establishment Inspectors and Revenue officials of the rank of Collector are utilised as Inspectors. On July 13, 1976, the Maharashtra Labour Minister admitted in the State Assembly that the implementation of minimum wages for agricultural labourers was not as strict as it should have been. As the Labour Department could not keep an eye on the day-to-day working of the Act, the State Government had directed village officials, including the Talatis and Gram Sevaks, to ensure its proper implementation. The Minister also appealed to social workers and people's representatives, including legislators, to organise landless labourers to ensure the success of the Act (*Times of India*, 14-7-1976, p. 5).

The National Labour Commission also found that in some States large areas of agricultural employment were not brought within the ambit of the Act. It suggested a periodical revision of minimum wages through tripartite consultative bodies at the State and district levels, exten-

sion of the Act gradually, beginning with low-wage pocket areas, to others and involvement of village panchayats in the task of implementation of the Act. (Recommendation No. 222).

Conclusion

The economic and social handicaps suffered by millions of agricultural labourers in India can be somewhat mitigated by a judicious fixation and proper implementation of minimum rates of wages for them. The Twenty-Point Programme, therefore, rightly observes: "Agricultural labour is among the worst exploited sections of our society." It also assures: "A review of the existing legislation of minimum wages for agricultural labour will be undertaken and action will be initiated for suitable enhancement of minimum wages, wherever necessary." The Programme highlights the necessity of paying attention to the economic conditions of this most neglected and ill-organised section of the country's work-force. In many States, the revision of minimum wage rates in agriculture had been pending for years, much beyond the period stipulated by law. In other States, no action under the Act was taken, because appropriate machinery for implementation was lacking. Legal aid was not available to agricultural labour to fight for their rights. The Twenty-Point Programme has changed this position and vigorous action has been swiftly initiated to revise the rates of minimum wages. This action would be facilitated if labour leaders and social workers organise landless labourers. The International Labour Organisation, in its last two conferences, has stressed the importance of "organisations of rural workers and their role in economic and social development." The Indian National Trade Union Congress and the Hind Mazdoor Sabha have recently made some efforts in this direction. However, these are feeble attempts, compared to the magnitude of the problem.

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MINIMUM WAGES IN AGRICULTURE: IMPLEMENTATION

V. M. RAO

The legislation for enforcing minimum wages in agriculture, which has been on the statute book of many State Governments for nearly three decades, is yet to be effectively implemented. Even the tardy revisions over the years in the wages specified in the statute seem to have been so infrequent as to have reduced the question of implementation to the level of a non-issue. It would appear therefore that the legislative approach is not the appropriate way to go about this problem. In fact, there are possibly few instances of successful implementation of minimum wages outside organised industries, and even in the case of the latter, as a recent survey of poverty in Britain warns, the net effect of legislative approach is not necessarily favourable to "sweated labour".

The purpose of this article is to consider the instrument of "minimum wages" in a more positive way with a view to finding out conditions and modes of implementation which would make the instrument effective. A merit of comprehensive programmes fuelled by political courage and determination—like the Twenty-Point Programme—is that they create a congenial atmosphere for legislative approaches to social and economic reforms which, taken by themselves, would be mere exercises in futility. This is particularly true of measures like "minimum wages" in agriculture, which

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DR. V. M. RAO is Senior Fellow and Head, Rural Economics Division, Institute of Social & Economic Change, Bangalore.

seek to reach the weakest in the rural population whose poverty is often taken for granted, both by the poor themselves and, even more readily, by society. The major premise underlying the Twenty-Point Programme is that poverty in India is a very serious problem, and it is this premise which gives rise to the hope that in the coming years the legislation for a "minimum wage" in agriculture would be effectively implemented.

Legislation Is Not Enough

While political courage and determination provide a favourable context, it would be exceedingly naive to believe that law, in the form of "minimum wage" legislation, can, on its own, intervene successfully in every one of the millions of wage-transactions occurring in agriculture to ensure the payment of the minimum wage. What is more realistic to assume is that the different components in the Twenty-Point Programme, to the extent that they succeed, will generate a climate in which the implementation of the "minimum wage" legislation would mean making the best use of available opportunities. Obviously, a wage-inspector cannot be on the spot whenever a farm employer tries to cheat the labourer of his fair wages.

By way of illustration, the principal situations we have in mind are described briefly below. First, and the most obvious, is the situation in which agricultural output is undergoing a sharp and sustained increase. Areas like Ludhiana and Tanjore, which have come to symbolise India's agricultural achievements, are the striking instances of this situation. There are many such areas dispersed all over the country where increases in output are less dramatic but nevertheless quite substantial, and more can be achieved in the course of a drive for increased agricultural production, which is an explicit objective of the Twenty-Point Programme. The typical feature of this situation is the large and regular demand for wage-paid labourers in agriculture. Researches on the behaviour of agricultural wages in such areas have not as yet yielded a clear and readable picture.

Happily, a recent and comprehensive study by Deepak Lal shows that over a cross-section of States, the change in real agricultural wages has been in the same direction as the change in agricutural output.[1] The implication is that wherever agricultural output moves upward, a modest measure of prodding and vigilance on the part of those implementing the "minimum wage" law would go a long way towards ensuring a fair wage to the agricultural labourer. To put it differently, the occurrence of less-than-fair wages in such areas would be attributable chiefly to ineffective implementation of "minimum wages"

Unionisation

Another favourable situation for the implementation of "minimum wages" is the situation in which organisations of agricultural labourers are in the process of formation. Kerala seems to have a number of pockets where agricultural wages have improved in the wake of unionisation of agricultural labourers. A recent study of agrarian tensions in Tanjore provides an illuminating comparison of two talukas in close proximity with each other, one having a strong union of agricultural labourers and relatively higher wages and the other having neither.[2] Taking the country as a whole, it is probably true at the moment that such areas are no more than tiny islands in a vast sea of unorganised agricultural labour. However, the important point to realise is that, if properly harnessed, the forces released by growing agricultural output and rising political consciousness can be a potent instrument in the hands of policy-makers and political parties to widen and strengthen these tiny islands and to reclaim new areas from the sea.

There are, however, two principal situations which are unfavourable to the implementation of "minimum wages".

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1. See the paper by Deepak Lal in *Economic and Political Weekly* (Review of Agriculture), June 26, 1976. The title of the paper is "Agricultural Growth, Real Wages and the Rural Poor in India."

2. "Agrarian Tension in Thanjavur", K. C. Alexander, National Institute of Community Development, Hyderabad, 1975.

A common situation, typical of traditional and underdeveloped farming regions, is the one where the problem facing agricultural labourers is not so much of low wages as of long periods of unemployment, and the precariousness of employment when it is available. The chief need of labourers in these areas is for guaranteed and steady off-farm employment for all those seeking work. The honest way of implementing "minimum wages" in these areas is by offering such work at a wage not below the wages ruling on the farms This "indirect" way of implementing "minimum wages" in these areas would easily score over any piece of legislation, however well-devised, which would need to be supplemented by a strong employment-giving programme. Fortunately, a number of State Governments are now in the process of setting up continuing employment-guarantee schemes which, until recently, were being used only as a relief measure during periods of scarcity.

Bonded Labour

The second typical situation, almost totally out of the reach of law, is provided by the areas having "bonded labour". The description of social and economic conditions of bonded labourers and of the system which holds them in bondage suggests that the foremost pre-requisite for any reform in these areas is the end of naked exploitation of the weak by the strong. Significantly, the abolition of bonded labour is a cardinal point in the Twenty-Point Programme. Some scholars are of the view that variants of the system, differing only in detail and not in essentials, prevail over the preponderant part of rural India. In my view, a more sober and objective assessment is likely to show that the system is confined to relatively well-marked geographical areas with distinctive sociological and economic characteristics. However, where the system prevails, to attempt to give the labourer a fair wage before giving him the freedom and dignity of a human being is putting the cart before the horse and, one may add, expecting the two to gallop away.

It is obvious that while in some areas legislation can hope to proceed on its own, in others it would require the

support of employment-oriented schemes, and in still others it could be no more than a futile yearning until pathological agrarian relationships and structures are wiped away. More important, when implemented as a component in a comprehensive programme for the removal of poverty, both the scope of the legislation and its effective utilisation may be expected to improve over the years

Modes of Implementation

A word needs to be added here about the modes of implementation appropriate for the enforcement of the "minimum wage" legislation for agricultural labourers It is easier to indicate what will *not* work. Neither the aggressive "catch-them-all" approach nor the relatively passive "looking-into-complaints-when-received" approach is likely to be effective. Despite considerable internal heterogeneity among the ranks of agricultural labourers and their employers, the best way of looking at wage transactions in agriculture is to consider them as occurring between two classes of people and to view the "minimum wage" legislation as an instrument with which to strengthen the hands of the weaker of the two. Given this perspective, the appropriate objective for the "minimum wage" legislation should be to evolve a State-partnered framework for collective bargaining for wages in agriculture.

The legislation now being tried out in Kerala seems to be a good example of this approach. In other areas, an attempt should be made to have an active and continuing surveillance of the wage and other conditions in the agricultural labour market with a view to intervening selectively, where such intervention would be most effective. On the whole, it would be best to focus the enforcement of "minimum wage" legislation on the larger objective of restructuring the labour market in agriculture and not on merely catching and punishing the individual culprits.

Irritating Obstacle

As an incidental but related point, we may note that an irritating obstacle in the way of enforcement is the

absence of adequate wage data, though the position in this respect is not as bad as it was some decades ago. Nevertheless, continuing controversies in India even on such simple questions as whether the real wages in agriculture are moving up or down indicate both the scope and the need for considerable improvement in the collection, compilation and, equally important, quick availability of data to researchers. It needs to be added that even the mere awareness on the part of employers that the wage situation in agriculture is being observed continuously would be a factor inducing them to comply with the "minimum wage" legislation.

Minimum Wage Survey

In this connection, it may be pointed out that, some time ago, the Central Ministry of Labour conducted a comprehensive survey of minimum wages for agricultural workers in the States and in the Union Territories. The position then was as follows:

Andhra Pradesh: The present rates of wages which became effective in 1974 are Rs. 2.25 to Rs. 3.00 per day for male and Rs. 2.25 per day for female workers, according to the zone and occupation. The State now proposes to revise the minimum wages which would range from Rs. 3.00 to Rs. 4.00 per day.

Assam: The present wages are Rs. 5.00 to Rs. 6.00 per day or Rs. 4.50 to Rs. 5.50 per day if one meal is provided, according to occupation. These wages are effective in the State from October 1974.

Bihar: The minimum rates of wages have been fixed in kind. Cash value of such wages is computed in accordance with the Bihar Minimum Wages Rules, 1951, subject to a minimum between Rs. 4.00 and Rs. 5.00 plus *nastha* per day, according to area. These wages are prevalent since December 1974.

Gujarat: The workers receive Rs. 3.00 per day, a wage which was last fixed in 1972. According to available information, a revision is under consideration by the Government.

Haryana: The present rates of wages, revised in 1973, range between Rs. 4.50 per day with meals and Rs. 6.00 per day without meals. The State Government proposes to set up a Committee to revise further the present minimum wages.

Himachal Pradesh. The wages were revised in 1974 and are Rs. 4.25 per day or Rs. 127.50 per month.

Karnataka: The workers get wages between Rs. 2 50 to Rs. 4.30 per day, depending on the type of land and class/classes of work. The State Government has announced an increase of 30 per cent in wages from October 2, 1975.

Kerala· The State Government provided for Rs. 4.50 per day for male and Rs. 3.00 per day for female worker. These wages became effective from July 1973. According to information available, special legislation has been enacted to ensure payment of fair wages.

Madhya Pradesh: The present minimum rates of wages became effective from February 1974 and range between Rs 1 60 and Rs. 2.20 per day, zonewise. The State proposes to revise wages which are likely to range between Rs. 2 75 and Rs. 4.00 per day.

Maharashtra: The agricultural minimum wages revised in 1974 range between Rs. 3 00 and Rs. 4.50 per day, according to area.

Manipur: The prevalent minimum wages in the State according to area are Rs. 4.00 to Rs. 4.50 per day.

Meghalaya: The State proposes to revise the wages which will either be Rs. 4.50 with one meal or Rs. 5.00 per day. The present wages in the State are Rs 4 00 to Rs. 5.00 per day for male and Rs. 3.25 to Rs. 4.50 per day for female workers.

Nagaland: No minimum wages have so far been fixed under the Minimum Wages Act. The current rates range between Rs. 8.00 and Rs. 10.00 per day.

Orissa: The State has fixed the minimum wages for agricultural workers at Rs. 3.00 per day and it proposes to revise the minimum to Rs. 4.00 per day.

Punjab: The rates were revised in July this year, which are Rs. 4.65 to Rs. 5.65 per day with meals or Rs. 6.70 to Rs. 7.70 per day without meals, according to area

Rajasthan The minimum wages in the State, as revised in January this year, are Rs. 4.25 to Rs 5.00 per day, according to area.

Tamil Nadu: The minimum wages are Rs. 3.00 per day for male and Rs 1.75 per day for female workers. Special legislation has been enacted for the fixation of wages of agricultural workers in some parts of the State. A Committee has been appointed by the State Government to advise it in this matter.

Tripura: Though the minimum wages for agricultural workers in Tripura are Rs. 2 per day, they are actually getting higher wages. The wages for a male worker range between Rs 3 and Rs. 4 per day and for a female between Rs. 2 50 and Rs 3 per day In the peak season, the wage rates are as high as Rs. 5 per day. The revision of minimum wages is under consideration Besides, the State is also examining the report of the Committee for the revision of minimum wages.

Uttar Pradesh. The present minimum wages are Rs. 3 to Rs. 4.50 per day, according to the size of farms. It is reported that the State has proposals for revising the wages so that they should be between Rs. 5 and Rs. 6.50 per day or between Rs. 104 and Rs 156 per month, according to area and size of farms.

West Bengal: The minimum wages were effective from October 1974. The present minimum wages are about Rs. 7.25 per day for adults and Rs. 5.19 for children The monthly rates are Rs. 123 38 for adults and Rs. 70.05 for children, together with at least two meals and accommodation.

Chandigarh· The present wages are between Rs. 3 and Rs. 3.50 per day.

Delhi: The wages are Rs. 5 per day or Rs. 130 per month. The State proposes to revise wages at the rate of Rs. 6 50 per day or Rs. 169 per month.

Dadra and Nagar Haveli: The minimum wages are Rs. 3 per day.

Goa, Diu and Daman: There are no minimum wages fixed under the Minimum Wages Act but the Government has notified proposals for the fixation of minimum wages for agricultural employment at Rs. 4.00 per day for the lowest-paid unskilled workers.

These rates have since been revised. The following tabular statement summarises the latest rates prevalent in the States and Union Territories:

MINIMUM WAGE RATES IN AGRICULTURE*

Name of the State	*Date from which effective*	*Rates of Wages*
(1)	(2)	(3)
Andhra Pradesh	2nd Dec., '75	Rs 3.00 to Rs. 5.00 per day according to zones.
Assam	Oct., '74	Rs. 5.00 to 6.00 per day or Rs. 4.50 to 5.50 per day with one meal, according to occupation.
Bihar	July, '75	Rs 4.50 to Rs 5.00 per day plus Nashta (in all districts except East & West Champaran), according to areas.
Gujarat	5th Jan., '76	Rs. 5.50 per day or Rs 2,000/- per annum
Haryana	31st Dec., '75	Rs. 5.50 per day with meals or Rs. 7.00 per day without meals.
Himachal Pradesh	15th July., '75	Rs. 4.25 per day.
Jammu & Kashmir	No minimum wages have been fixed so far.	
Karnataka	2nd Oct., '75	Rs. 3.65 to Rs. 5.60 per day according to class of operation & type of land.
Kerala	15th Sep., '75	Rs. 6.50 per day for light work and Rs 8.00 per day for hard work.
Madhya Pradesh	2nd Oct., '75	Rs. 3.50 to Rs. 4.00 per day according to zones.
Maharashtra	March, '74	Rs. 3.00 to Rs 4.50 per day.
Manipur	There is no agricultural worker in the State in an organised form Therefore minimum wages have not been fixed under the Minimum Wages Act.	

* Answer to an unstarred question in the Rajya Sabha on 14.5.1976.

(1)	(2)	(3)
Meghalaya	2nd Sep, '75	Rs. 4 50 per day with meals or Rs 5.00 per day without meals
Nagaland	Minimum wages have not been fixed under the Minimum Wages Act. Government has set up a Minimum Wages Committee to enquire into and make recommendations on fixation of minimum wages.	
Orissa	1st Jan., '76	Rs. 4 00 per day
Punjab	11th July, '75	Rs 4 65 to Rs 5.65 per day with meals or Rs. 6 70 to Rs 7 70 per day without meals.
Rajasthan	Jan, '75	Rs 4 25 to Rs. 5 00, according to areas.
Sikkim	No information is available.	
Tamil Nadu	2nd March, '76	Rs. 3 50 to Rs. 5 00 per day (Adults) Rs 2.10 to Rs. 3.00 per day (non-adults) according to type of operations.
Tripura	15th Aug, '75	Rs. 4.00 per day.
Uttar Pradesh	23rd Oct, '75	Rs. 4.50 to Rs. 6.50 per day according to zones and type of work
West Bengal	1st Oct, '75	*Basic* *D.A.* *Total*
	Daily rate	Adult: 5.60 2.50 8 10
		Child: 4.00 1.82 5.82
	Monthly rate	Adult: 80.60 65.10 145.70
		Child. 39.00 47.25 86.25
Andaman & Nicobar Islands	Preliminary statistical information about number of workers etc. is being collected at present	
Arunachal Pradesh	No information is available.	
Chandigarh	Oct., '71	Rs. 3 00 to Rs. 3.50 per day.
Dadra & Nagar Haveli	Oct, '72	Rs. 3.00 per day.
Delhi	1st Oct, '75	Rs 6.75 per day or Rs. 175.50 per month.
Goa, Daman & Diu	24th Nov., '75	Rs. 4.00 to Rs. 5.00 per day according to class of work.
Lakshadweep	No agricultural workers in the territory.	
Mizoram	No information is available.	
Pondicherry	Provisions of Karaikal Agricultural Labourers Fair Wages Act, 1970 which specifies minimum wages being extended to all regions of the territory. Proposals for initial fixation of wages under Minimum Wages Act have been published.	

Here, it is necessary to make a brief mention of the limitations of the "minimum wage" legislation which the policy-maker needs to keep in mind. First, it is obvious that "minimum wage" would provide little immediate benefit to agricultural labourers in hard-core poverty areas with massive seasonal unemployment in agriculture or having semi-feudalistic conditions, for this would be a totally inadequate substitute for the more thorough-going developmental reform measures which these areas need. And yet only a patient and determined policy-maker would be able to fight back the temptation of indulging in symbolic reforms which are such fun to implement. Secondly, in the context of the present socio-economic system, measures against poverty succeed more easily in providing relief to the poor than in striking at the structures and conditions which generate poverty. When the State in such a system seeks to strike at the source of poverty, it often finds itself poised against the social base on which it rests. The philosophy underlying the Twenty-Point Programme asserts that, fortified with political courage and determination, the State can, and shall, break this constraint imposed by the prevailing system. While the initial results do afford some ground for hope, it would be premature to begin to applaud and fatal to be complacent.

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7

GROUND WATER IRRIGATION: PROSPECTS AND RETROSPECT

M. A. CHIDAMBARAM

In the context of the tropical and semi-arid climate obtaining over the greater part of the country, the importance of irrigation for agricultural development in India needs no emphasis With little scope for bringing additional virgin land under the plough, increase in agricultural production must be achieved by a more intensive use of the available land. The latter implies the substitution of multiple-cropping for mono-cropping along with the use of high-yielding seeds, fertilizers, pesticides and improved tillage. The transformation of traditional into modern agriculture along these lines depends critically upon the development of irrigation, *i.e.*, provision of controlled water supply to farms to supplement the low, capricious and seasonal precipitation. This explains why irrigation is often described as the fifth factor of production in agriculture in countries like India and has been accorded due importance in the successive Five-Year Plans.

Limits to Irrigation Development

The water resources which can be exploited for the development of irrigation are the surface water (*i.e.*, the rain water which runs off the earth's surface into rivers and streams) and ground water (*i.e.*, the rain water which percolates underground through the soil layers and is trapped into rocks and fissures). The usable quantities of the annual

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SHRI M A CHIDAMBARAM is the Managing Director, Agricultural Refinance and Development Corporation, Bombay

recharge of surface and ground water constitute the potential for irrigation development. For India, this potential has been estimated at 67 million hectare metres of surface water (capable of irrigating a gross cropped area of 72 million hectares), and at 26.5 million hectare metres of ground water (sufficient to irrigate 35 million hectares of gross cropped area).[1] Assuming that irrigation from the two water resources is mutually exclusive, the total cropped area which can be irrigated, on full exploitation of the available potential, may be placed at 107 million hectares. It is apparent that the share of ground water in the total would be one-third and that of surface water two-thirds. Related to the existing gross cropped area of 170 million hectares, the potential, on full exploitation, may irrigate about 63 per cent of the cropped area in the country.

Of the surface water potential of 72 million hectares, that exploited till 1973-74 was 29 million hectares (40 per cent). The corresponding exploitation of ground water was 16 million hectares, or 46 per cent of the total potential of 35 million hectares.* Development of irrigation has enjoy-

Table 1[2]

DEVELOPMENT OF IRRIGATION POTENTIAL 1950-51 to 1973-74

(Million hectares)

Item	*Ultimate Potential*	1950-51		1973-74	
		Potential	*Utilisation*	*Potential*	*Utilisation*
1. Surface Water	72	16.1	16 1	28.9	27 1
(a) Major & Medium	57	9.7	9 7	21 4	19 6
(b) Minor	15	6.4	6.4	7.5	7.5
2. Ground Water	35	6 5	6.5	16.0	16.0
Total	107	22.6	22.6	44.9	43 1

1. Draft Fifth Five-Year Plan, Government of India, Planning Commission New Delhi, Vol. II, p. 105

2. *Ibid.*

* The additional potential created during 1974-75 and 1975-76 in respect of surface and ground water is furnished at the end of this article.

ed emphasis in all successive Five-Year Plans; this is evident from the fact that the exploited potential in 1973-74 at 45 million hectares was almost double that in 1950-51 at 23 million hectares.

The increased exploitation of irrigation potential at 22 million hectares over the period was brought about through an aggregate investment of about Rs. 5,400 crores, or an average of Rs. 2,420 per hectare. The corresponding estimate for the three years 1975-77 works out to nearly Rs. 5,800 per hectare. Exploitation of the remaining potential (62 million hectares) may require a further investment of Rs. 37,000 crores, assuming that the average investment per hectare increases in the future only slightly to Rs 6,000. However, the actual magnitude of investment in the future is likely to be higher than the above figure since future irrigation projects would be more difficult to construct than those constructed in the past. It is evident that the period required for reaching the full exploitation of surface and ground waters would depend mainly on the allocation of funds for the purpose.

Classification of Irrigation Works

Irrigation works are either public or private. Public irrigation works are those which are constructed and maintained by the State Governments or State Corporations (*e.g.*, lift irrigation corporations). Private irrigation works are those which are installed and run by individual farmers or their groups, including co-operatives. Public works are financed from the State Governments' budgetary resources and Central assistance. Private works are financed from farmers' own resources and credit made available to them by co-operatives and commercial banks.

Irrigation works are also classified into major, medium and minor, depending upon the unit construction cost. An irrigation work with an outlay of more than Rs. 5 crores is a major work, while that costing upto Rs. 25 lakhs is a minor work. Medium irrigation works are those which cost from Rs. 25 lakhs but up to Rs. 5 crores.

While all private irrigation works (dugwells, tubewells, lift irrigation, etc.) are minor in the above sense, those in the public sector belong to all the three categories. State tubewells and lift irrigation works are notable examples of minor works in the public sector. Those aiming at the exploitation of surface water through the construction of dams and canals may be medium or major works; a few like percolation tanks may be minor works. Our concern in this paper, however, is with public and private works installed for the exploitation of ground water (dugwells, tubewells, bore wells, dug-cum-bore wells, etc.). These are invariably minor works in terms of the definition given above. Such minor works, whether public or private, have several advantages over major surface water irrigation works in the public sector: lower unit capital cost, shorter period of construction, easier water management and quicker accrual of benefits. The Twenty-Point Programme aims at the extension of ground water irrigation to an additional 5 million hectares In the following pages are examined the various problems connected with the attainment of the goal and solutions suggested.

Ground Water Development

The pace of ground water exploitation depends upon the extent of adoption of project approach to the construction of wells. Project approach implies demarcation of project area on the basis of assessed demand for new investments and administrative convenience, examination of the technical, commercial, economic and organisational aspects of the project, allocation of specific responsibilities to different project entities in its implementation and effective implementation. The extent to which projects can be formulated and implemented, however, depends upon several important factors within the control of State Government agencies and credit institutions. These factors are discussed below:

Ground water surveys: The most important pre-requisite for preparing an orderly programme for the exploitation of

ground water is the conduct of ground water surveys to throw up data on the ground water balance, *i.e.*, the annual recharge of ground water and existing utilisation through the wells already constructed. The conduct of such surveys is the responsibility of State Ground Water Directorates. Along with the estimation of ground water balances for individual watersheds, the Directorates should make available an estimate of the additional number of wells which seem to be technically feasible for individual administrative units such as tehsils. Where necessary, they should also prescribe spacing and density conditions and depths at which aquifers should be tapped for future exploitation programmes.

In most of the States, Ground Water Directorates have been set up during the last 5 years to 7 years, and such Directorates are now being formed in Assam, Kerala, Jammu & Kashmir and Himachal Pradesh. In several States, the staff in the Directorates needs to be strengthened to accelerate the progress of new surveys and analyses of data thrown up by such studies. Unless the basic data on ground water balances are available quickly and have a reliable base, ground water development programmes are not likely to pick up speed.

Land tenures and land records. The Land Revenue Department of State Governments is responsible for maintaining land records. State Governments are also responsible for devising and improving upon systems of land tenure. To the extent that concealed tenancy is practised on a large scale, the actual tiller of the land whose tenure is extremely insecure will lack the necessary motivation for undertaking construction of wells on the land cultivated by him. Incomplete land records give rise to delays in the availability of credits to farmers from banking institutions. It is, therefore, imperative that the system of maintaining land records and making copies available to farmers is streamlined as quickly as possible.

Facilities for boring: The construction of tubewells requires the use of such machinery as boring rigs. In the

more developed States like Punjab, rigs are made available to farmers both by governmental agencies and private contractors. However, in a few States adequate machinery is not available. Since the construction of wells is a seasonal activity, adequacy of drilling machinery is absolutely essential for increasing the pace of construction of tubewells.

Availability of construction materials: In the hard rock areas where the dugwell construction is extensive, a substantial amount of construction work, including masonry work, is required for lining the walls of the wells. Construction work is also required for the installation of pump-houses and other civil works, even on tubewells. To the extent that critical building materials (cement, for example) are not available to the farmers in periods of supply shortages, the pace of construction is slackened. Availability of such materials at reasonable prices, at the right time and in right places, is therefore of crucial importance in future ground water exploitation programmes.

Rural electrification: In view of the relatively lower cost (capital and current) of electric power, the farmers' preference is for energisation of their wells with electric pumpsets. The progress of rural electrification depends importantly upon the capacity of, and the finance available to, State Electricity Boards. What is even more important than the electrification of pumpsets is adequate co-ordination between the programme for rural electrification on the one hand and that for construction of new wells on the other. To the extent that new wells are not energised because of haphazard programmes of rural electrification, only a small part of the total water supply in such wells will be actually used for irrigation. In the process, the increase in farm output due to irrigation would be considerably lower than the levels expected, and it is not only the individual farmer but also the entire country which will suffer because of consequent shortfall in agricultural output.

Agricultural extension. The role of agricultural extension service in the States assumes critical importance before and after the construction of wells. In the pre-

construction stage, extension agencies have to convince farmers of the importance of well irrigation and create the necessary motivation for the construction of new wells In the post-construction period, the extension service is expected to advise the farmers on water requirements of crops, which crops to cultivate, optimum quantity of fertilizers and other inputs and on similar other problems encountered by farmers when they switch over from rain-fed farming to irrigated farming. To the extent that the extension agencies do not perform their jobs efficiently, the pace of new construction and also the extent of accrual of benefits from the wells already constructed are both impaired.

Credit. Credit is required by farmers not only for the construction of new wells but also for meeting the additional needs of working capital associated with irrigated farming. The repayment period of loans extended for financing the construction of wells must be tailored to the repaying capacity of the farmers which, in turn, is determined by the accrual of incremental incomes. Although there is evidence that the banking system (covering commercial and co-operative banks) has achieved substantial progress during the last five years in this field, considerable ground yet remains to be covered. More important than the mere extension of credit is the co-ordination among banks, governmental agencies and the individual farmers themselves for realising the objectives of credit.

Regional Development

Table 2 shows the Statewise progress achieved till 1974 in the exploitation of the available ground water potential. It is evident that the States where not even 1/3rd of the potential has been exploited are Assam, Bihar, Karnataka, Madhya Pradesh, Orissa and West Bengal. By and large, the States with considerable unused potentials are those located in the Eastern and North-Eastern regions of the country. The poor progress in the exploitation of ground water in these States may be attributed to a lack

of the infrastructure necessary for ground water development.

If regional balance is to be dovetailed into the programme for extension of ground water development for an additional five million hectares, it is evident that the accent will have to be placed on exploitation in the above-mentioned six States.

The overall Statewise position in regard to the exploitation of ground water potential does not mean that all districts in the given State are equally developed or underdeveloped in this respect. It is well known that there are several districts in the States of Madhya Pradesh and Karnataka where ground water potential has been exploited almost fully. A corollary of the same proposition is that even in the more developed States, there are a few pockets

Table 2[3]

STATEWISE GROUND WATER POTENTIAL AND ITS UTILISATION

(Million Hectares)

	State	*Ultimate Potential*	*Utilisation in 1974*
1.	Andhra Pradesh	2.50	0.80
2.	Assam	0.85	0.05
3.	Bihar	3.35	0.83
4.	Gujarat	1.50	1.10
5	Haryana	1 20	0.88
6.	Karnataka	1.50	0.38
7.	Madhya Pradesh	3.50	0 80
8.	Maharashtra	1.80	1.00
9.	Orissa	1.20	0.09*
10.	Punjab	3.00	2.58
11.	Rajasthan	2.00	1.48
12.	Tamil Nadu	1.20	0.95
13.	Uttar Pradesh	9.00	5.80
14.	West Bengal	2.00	0.25
15.	Other States	*	*
	Total	34.60	16.99

3. Sarma, P. B. S. "Ground Water Management", *Commerce Annual Number*, 1975. pp. 129-135

* Information not available.

where the development of ground water is relatively poor. To achieve the twin goals of regional balance and ground water development, therefore, what is required is identification of the pockets in each State with poor development of ground water and concentration of future programmes in those areas.

Magnitude of Development Programme

Experience has shown that, by and large, a dugwell irrigates about 2 hectares of land and a shallow tubewell about 4 hectares. Deep tubewells, which are usually constructed in the public sector, may irrigate 40 hectares or even more. However, their number is so small (a few thousand) that it can be safely assumed that future ground water development will be realised mostly through private dugwells and shallow tubewells. If the proposed ground water irrigation development to the extent of five million hectares is to be achieved, it would be necessary to construct about 2.5 million dugwells or 1.25 million shallow tubewells or a combination of these two. On the basis of the construction costs during the last two years, the cost of constructing and energizing a dugwell may be placed at Rs. 10,000. The corresponding cost for a shallow tubewell would work out to Rs. 11,000. Correlating the estimated unit cost and the number of dugwells and tubewells needed to achieve the proposed expansion of irrigation, the total direct outlay may be placed at a figure ranging between Rs. 1,375 crores and Rs. 2,500 crores. These figures do not include the indirect expenditure by State Governments on supporting services such as ground water surveys, extension and rural electrification (high tension lines). If we assume that about five per cent of the total wells will be constructed by farmers entirely from their own savings, and if we provide for 10 per cent to 15 per cent down payment by farmers in respect of wells financed with bank credit, the magnitude of bank credit required for implementing the proposed programme would work out to between Rs. 1,100 crores and Rs. 2,000 crores. Credit from the banking sector for the construction of wells during 1976-77 is expected to be around

Rs. 278 crores. On this basis, the proposed programme calls for twice or thrice as much credit if it is to be implemented in three years. If a longer perspective is adopted, say, five years, the increase in credit support would be of a lower order It may be emphasised here that the constraint on ground water development is not really lack of credit but the insufficiency of infrastructure in different parts of the country.

ARDC

At the apex of the banking system providing credit for financing ground water development programmes is the Agricultural Refinance & Development Corporation (ARDC), which provides refinance facilities to all the commercial and co-operative banks in respect of viable projects for ground water development. Viability in this context means the feasibility of projects in terms of technical, economic and organisational parameters. Having regard for its developmental role, the Corporation has, since its inception, provided technical and other advice to banks and State Governments for formulating viable schemes. More than three-fourths of the Corporation's refinance assistance has gone for minor irrigation development during the last eight years.

In the hard rock areas, construction of wells is fraught with considerable risk, which arises from peculiar natural factors. Even after ensuring technical feasibility, a small percentage of the dugwells constructed in hard rock areas fail to strike a minimum quantity of water which can make the investment financially viable for the farmer. The risk of failure will indeed be appreciably diminished if project approach to ground water development—*i.e.*, determining the potential for additional wells, their depth and spacing on the basis of the technical desiderata—is adopted. In the non-hard rock areas, a smaller percentage of the wells may also meet with failure, which may arise from excessively saline water, the occurrence of which cannot be properly anticipated on the basis of existing technical knowledge. To stimulate a somewhat higher rate of construc-

tion in the future, it is necessary to provide some sort of insurance to the victims of wells which fail. In this connection, it may be pointed out that the preparation of a proper risk stabilisation fund for this purpose is under consideration.

In accordance with declared Government priorities, the Corporation's lending policies lay stress on the development of less developed regions and small farmers. The establishment of technical consultancy units, one each at Calcutta and Lucknow, to assist State Governments in the eastern and north-eastern regions to formulate schemes for agricultural development, is in furtherance of balanced regional growth. The liberal lending terms (a higher percentage of project cost qualifying for refinance and a longer repayment period) applicable to schemes in Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers Development Agency (MFAL) areas are intended to promote the development of small and marginal farms.

Conclusion

The fulfilment of the goal to extend ground water irrigation to an additional five million hectares will call for concerted action on the part of farmers, governmental agencies and banking institutions. If adequate infrastructure is available, the programme can be successfully implemented. Credit, by itself, has never been, and will never be, a formidable difficulty. It is the capacity to absorb credit in a manner that will bring forth tangible benefits to farmers which poses a real problem. Even this problem is not insurmountable if disciplined action, which has been in evidence during the last year, continues unabated.

STATEMENT SHOWING DEVELOPMENT OF IRRIGATION POTENTIAL DURING 1974-75 and 1975-76 THROUGH MAJOR/MEDIUM/MINOR SCHEMES

(In thousand ha.)

State	1974-75	1975-76
Andhra Pradesh	72	75
Assam	30	30
Bihar	129	128
Gujarat	82	100
Haryana	58	87
Himachal Pradesh	3	3
Jammu & Kashmir	12	11
Karnataka	123	105
Kerala	15	40
Madhya Pradesh	116	157
Maharashtra	119	183
Manipur	3	4
Meghalaya	4	1
Nagaland	6	3
Orissa	98	101
Punjab	63	95
Rajasthan	137	78
Tamil Nadu	57	32
Uttar Pradesh	607	735
West Bengal	69	83
Tripura	—	2

POWER DEVELOPMENT: THERMAL

R. P. AIYER

The growth in the generation and utilisation of electricity is an index of the economic development of a country. Beginning with an installed capacity of 2.3 million kW prior to 1951, the country's power capacity reached about 22 million kW in 1975-76. The anticipations are that this growth in capacity will be doubled every five years. It is therefore only appropriate that the New Economic Programme should lay emphasis on acceleration of power development.

The establishment of Super-Thermal Stations is visualised as part of the new programme. Action taken in this regard is reflected in the 1975-76 report of the Department of Power, Ministry of Energy. The Specialised Engineering Organisation (Thermal) of the Central Electricity Authority has been seized of the work connected with the planning of Super-Thermal Power Stations near coal pit-heads, keeping in view the rapidly growing power demand in the country. Feasibility reports for Super-Thermal Schemes in the Central Sector have already been prepared for consideration of the World Bank. These reports cover:

Singrauli	5 × 210 mW plus 2 × 500 mW
Farakka	6 × 210 mW
Korba	5 × 210 mW plus 2 × 500 mW
Neyveli	5 × 210 mW
Godavari	5 × 210 mW

SHRI R. P. AIYER is Chairman, Bombay Suburban Electric Supply Ltd., Bombay.

Work incidental to the projects receiving consideration covers such areas as (a) formulating a Programme Evaluation and Review Technique (PERT) chart for commissioning schedules, and (b) standardization of layout designs. The preparation of standard schemes need standardization of construction procedures with a view to achieving targeted commissioning dates.

The 1973 oil crisis, with the consequent changes in the world energy situation, had its impact on the energy picture of the country, bringing into focus a new awareness of the need for a co-ordinated approach to the development and supply of various forms of energy.

Energy Consumption Trends

The significant point about the energy situation in India is that roughly about half of the total energy consumed in the country comes from non-commercial sources. Rural areas consume the bulk of the non-commercial supplies. These are derived from vegetable waste products, firewood and cow-dung. From the national point of view, these have better alternative uses. The share of non-commercial energy is, however, tending to decrease from year to year.

During the period 1953-54 to 1970-71, the growth in electricity consumption was 11.5 per cent per annum, in coal only 3.5 per cent and oil 8.6 per cent.

The level of demand for energy in future would be determined mainly by the pace of economic growth. Because of the long gestation periods involved in the energy industries, there is a need for reasonably reliable predictions in the long-term energy demand. Coal requirements by 1990-91 are estimated at 365 million tonnes. Electricity, on the basis of end-use, would need to meet a target of 400 billion kWh. Non-commercial fuels (firewood, charcoal, dung-cake and vegetable waste) in their turn will continue to be in demand at about 195 million tonnes.

A realistic energy policy must therefore be based on the fuel resources available in the country. Coal is the largest natural source of commercial energy in India. With coking

coal reserved for metallurgical use, the relevant source for the generation of electrical energy is non-coking coal and lignite. These two together account for gross reserves of about 63,000 million tonnes, which are estimated to last for about 100 years to 150 years.

The reserves of crude oil and natural gas were estimated in 1972 at about 128 million and 60 million tonnes respectively. The situation is likely to improve with the discovery of oil and gas in the Bombay High region.

Role of Electric Power

India's hydro resources still offer a fairly large scope for development, especially in the Brahmaputra and Ganga Basins. The hydel energy potential in various regions is estimated at a little over 200 billion kWh.

Nuclear generating capacity of 640 mW is in operation in Maharashtra, Gujarat and Rajasthan, and another 640 mW is under construction in Rajasthan and Tamil Nadu. Construction of a 440 mW nuclear power station in Uttar Pradesh is expected to be undertaken in the immediate future. With large thorium deposits in the country, and with breeder reactors under development, there are possibilities of an additional 6,00,000 mW to 10,00,000 mW of installed capacity.

Non-conventional sources of energy cover solar, geothermal, tidal wind and chemical sources. As sources of energy, these offer limited scope during the next few years.

Electric power constitutes an important segment of commercial energy in India. A reference has been made earlier to the target set for the generation of electric power until 1990-91. With this target, the per capita consumption of power will increase to about 450 kWh—the pattern of increase from 1960-61 being as follows:

Year	*Per Capita Consumption kWh*
1960-61	38
1965-66	61
1968-69	78
1975-76	108.8

The level of power generation forecast is aimed at meeting the following targets:

> By 1990-91, all urban households and about 70 per cent of rural households would have been provided with electricity for lighting purposes. The number of agricultural pump sets operated by electricity would have increased from 2.5 million in 1973-74 to about 12 million by 1990-91.

Rural Electrification

With rural electrification having been rightly accorded top priority, the means of financing such a programme assumes importance. The financial characteristics of a new or expanding programme are such that initial investment would need to be financed by a combination of debts, grants, equity or internal funds of the Power System so as to result in a relatively "soft" blend for the capital structure of the programme with long grace periods. In practice, it is estimated that the kind of financial goals that might be achieved would evolve with the level and growth of demand.

Initially, during the first three or four years, revenues could generally be expected to cover both operating and maintenance costs. In the next phase, say upto 10 years, revenues could additionally be expected to service debt, having regard to the "soft" blend indicated. In subsequent years, revenues may generally be sufficient to make an increasing contribution towards the cost of expansion.

The social importance of an expanding rural electrification programme arises out of the need for raising the standard of living in all rural areas and for providing a counter-weight to excessive urbanization. A programme set purely in an economic context may be disappointing, which underlines the conflict between economic and social aims. Where economic benefits from rural electrification are large, it may be reasonable to expect some satisfactory financial returns. Availability of electricity increases energy use by a community, often at reduced cost and in versatile forms. The

long-term perspective and a constructive attitude towards tariff policy, would better the prospects in the area of rural electrification, both for continued expansion and improved financial performance.

We live in a technologically progressing world. As a result, both the exhaustible resources and the alternatives could continue to be viable. This would permit greater use of the exhaustible resources before a shift to inexhaustible alternatives occurs. The difficulties may be further minimised if some improvements in consumption technology control the growth in demand. If technology proves lucky, the shift to inexhaustible alternatives would be accelerated, consequent to a fall in cost. This pattern provides a better explanation of the historical process of substitution of oil for coal (and vice versa) and aluminium for steel and copper.

Transition in Technology

Rather than assume that exhaustion is inevitable, one should pose the question as to whether technology will allow a relatively painless transition to inexhaustible resources. Some may fear that technology can at best delay inevitable misery; others may take the view that technology can do the job, provided a massive special research support is mounted. In this context, exhaustion is irrelevant and the real problem is to provide adequate incentives to researchers. Therefore, the issue is not one of statement of despair or of technological euphoria, but an approach to the problems related to human fallibility.

Whatever may be the future pattern, with the continued rise in costs, there is need for public utility systems to develop some systematic and objective standards for measuring their performance.

> "*Efficiency* of a practically flawless kind may be reached naturally in the struggle for bread. But there is something beyond a subtle and unmistakable touch to love and pride beyond mere skill; almost an inspiration which gives to all work that finish which is almost art—which *is* art." So wrote

Joseph Conard *in The Mirror of the Sea: The Fine Art* in 1906.

If this is the ideal, all activities should be subject to a rigorous and searching scrutiny to ascertain the efficiency of operation, and more so in a highly capital-intensive industry like electric supply.

Norms

Each industry has its own norms of efficiency. The performance and characteristic variables in a public utility could be compressed in such norms as—

Characteristic Variables	*Performance Variables*
Cost of energy generated (Thermal).	Capacity utilisation Heat rate.
Cost of energy generated (Hydraulically).	Production expense per kilowatt-hour generated.
Cost of energy purchased.	Net utility plant investment per kilowatt-hour sold.
Cost of energy sold for resale. Cost of energy sold to various classes of consumers.	Total operating expenses per kilowatt-hour sold (excluding taxes, cost of fuel and purchased power).
Revenue from sales of electricity.	Total operating expense per kilowatt-hour sold (excluding taxes).
Wage structure.	Productivity of labour, annual kWh sales per employee.

Growth Rate of Sales

With a rigorous application of norms, the economics of operation could be improved; and this would be an important way of conserving resources.

The pragmatist and the practical man would like to know whether something more than a physiological stance is being adopted in the field of energy. The various reports on the subject highlight the nature of the enterprise, although the context in which it should be interpreted requires continuous debate. This could follow the line set by economic precursors and successes that have tended to build the tradition of planning set by the successful First Five-Year Plan.

The policy-makers on the micro level, the practising politicians and the administrators can move along the length and breadth of this tradition, employing as they go the criteria of relevance and achievement. There are criteria for judging relative success or failure, for in the human condition all things are relative—the theories of value, growth and whatever else happens to be of relevance and interest in a dynamic situation. There is enough knowledge to determine what process, what vital piece of analysis, is needed or lacking. We all know what can be regulated "ahead of its time" or has "stood the test of time". Hindsight also tells us what "insights" have been "lost". By these processes, it is possible to construct and keep alive the planning process, which to a certain extent tends to be vitiated by human problems. Still, the expertise lies in appreciating what constitutes a problem and what offers a solution.

STATEMENT SHOWING DEVELOPMENT OF POWER DURING 1974-75 AND 1975-76

State	1974-75		1975-76	
	*I.C.** (*M.W.*)	*G*** (*M.U.*)	*I.C.* (*M.W.*)	*G* (*M.U.*)
Andhra Pradesh	890	3,093	990	4,048
Assam	197	329	227	439
Bihar	604	2,053	604	2,061
Gujarat	1,173	5,661	1,327	5,662
Haryana	557	120	617	323
Himachal Pradesh	53	152	53	160
Jammu & Kashmir	94	292	104	298
Karnataka	967	2,653	1,056	5,324
Kerala	625	2,659	755	2,783
Madhya Pradesh	776	3,939	896	4,580
Maharashtra	2,070	10,930	2,490	10,997
Meghalaya, Manipur, Nagaland	Separate figures are not available			
Orissa	803	2,199	863	3,045
Punjab	886	621	996	980
Rajasthan	581	1,946	581	1,693
Tamil Nadu	1,650	5,079	1,760	5,723
Tripura	488	N.A.	488	N.A.
Uttar Pradesh	1,840	7,032	2,097	8,946
West Bengal	1,279	4,375	1,399	4;568

* I.C. — Installed capacity.

** G — Generation.

POWER DEVELOPMENT: NUCLEAR

J. C. SHAH

Through its broad involvement with almost every major facet of national life, the Twenty-Point Programme has become the symbol of India's socio-economic resurgence. For years we had been inundated with vociferous expressions—as manifested in every non-subtle form ranging from political rhetoric to morchas—of imagined solutions for everything that was wrong with the country. But not until Smt. Gandhi defined the twenty points did we have a blueprint for effective action in those spheres of Indian life that mattered most to the Indians.

The main thrust of the Programme is in areas of direct concern to citizens generally, *e.g.*, employment and land reforms. However, in achieving these, it becomes necessary to improve performance in almost every area of national endeavour, particularly those of the industrial and social infrastructure.

The country's energy programme appears to have played its rôle effectively. The last twelve months have seen a dramatic reduction in power shortages and a regular glut of coal. Substantial exploratory work has established unprecedented extents of fresh oil and gas reserves. Meaningful advances have been registered in our quest for non-conventional primary sources like solar energy and wind power. Gobar gas has received a strong boost.

SHRI J. C. SHAH is Chairman and Chief Executive, Atomic Power Authority, Bombay.

As far as power generation in India as a whole is concerned, 1975-76 saw a 13 per cent increase over the previous year, against a growth of only 6.9 per cent per year over the Fourth Plan period and 6.2 per cent in the first year of the current Plan. This substantial improvement has resulted in a considerable mitigation of shortages. Against an anticipated all-India daily requirement of 225 million kWh in April, 1975, the actual availability was 189 million kWh, or a shortage of 16 per cent. Although the daily requirement in April, 1976, was higher at about 239 million kWh, improved generation reduced the overall shortage to 4.8 per cent only, with three out of the five electrical regions having no shortage at all.[1] Incidentally, the Tarapur Atomic Power Station of the Atomic Power Authority contributed to this improvement by registering an increase of 43 per cent in annual generation against the national average of 13 per cent.

The prescription for quick remedies in this particular area hinges on increasing availability and outputs of existing power stations, on reducing transmission and distribution losses and on promoting rational utilisation. This was well known but rather tardily implemented until the Programme came along. Since then, a variety of measures, initiated or intensified during the year, have already reduced power shortages sharply. However, even with these the average output in 1975-76 was about 4,550 kWh/kW of installed capacity for thermal stations. This represents an annual capacity factor of around 52 per cent. Even an improvement to 55 per cent will give additional energy worth at least Rs. 30 crores a year from the same capacity. Alternatively stated, it would require an investment of Rs. 150 crores in additional capacity to generate the increased energy at the current level of performance. And the 55 per cent target is by no means remote. The Tarapur Atomic Power Station, which has all the constraints inherent

1. Data based on "Power Supply Position in the Country", Vol. IV. No. 5. May 1976, published by the *Central Electricity Authority of the Ministry of Energy*.

in nuclear stations of a very early design, has already achieved an annual capacity factor of about 57 per cent.

Transmission and distribution losses average about 20 per cent of generation in India. Even under our conditions of relatively lower load flows and longer distances, anything above 15 per cent line losses is undesirable. *Each* percentage point saved means additional generation worth at least Rs. 5 crores per year, representing an investment of around Rs. 25 crores.

Similarly, dramatic direct benefits are possible from the sphere of utilisation also. Collectively, all these point to the scope inherent in the quick remedies of which 1975-76 has realised but a fraction. One may well expect that the next few years would witness steady improvement as measures already initiated fructify more extensively and novel approaches are implemented under the momentum imparted by the stimulus of the Twenty-Point Programme.

Although the Programme has engendered some quick remedies for immediate problems, it does not, of course, confine itself to them. Some of the points, like Energy or Power Development, necessarily demand long-term planning and action. In any exercise dealing with perspectives, it is imperative to go beyond mere statistics of growth, outlays and time spans. Likely demands of electricity in the years 1990 or 2000, for instance, are not merely extrapolated projections of best-fit curves of the past experience but the consequences of several interrelated factors, *e.g.*, evolving technology, wide options, long gestation periods from the research and development stage to commercial exploitation, extensive capital requirements, impact on environment, vital role in the national infrastructure, socio-economic policies, and several other relative intangibles.

The energy perspective in India is gradually crystallizing. Its cornerstone, as defined by the Fuels Policy Committee and generally endorsed by all concerned, is the use of coal. Both through direct combustion in boilers and by a host of processes like magneto-hydro-dynamics (M.H.D.),

coal gasification and liquefaction, which have yet to be developed, coal will provide the main thrust in our efforts to fulfil our energy needs—upto the end of this century at least. Our coal reserves are, of course, large enough for this purpose for several subsequent decades. However, its continued use on a very large scale will, after 2000, be influenced by its changing economics, broad environmental aspects and by alternative sources and technologies that will then be available.

In the case of atomic power, some additional factors also influence perspectives—likely trends in international affairs being one. More directly relevant to this discussion is the philosophy underlying India's nuclear programme. This is so because atomic power has not been conceived by us in isolation as in many other countries, but as an important ingredient of a total nuclear programme covering such varied fields as medicine, biology and agriculture, apart from basic sciences and technology.

Some thirty years ago, the vision of Dr. Homi Bhabha identified in the potentialities of the atom a unique opportunity for India to harness a frontier technology for its long-term benefits, contemporaneously with some other advanced countries and in fact ahead of most. With Jawaharlal Nehru's firm support and guidance, he conceived and initiated a programme that was, and is, not only among the best integrated in the world but also has the appropriate emphasis on indigenization. The perspective of atomic power has necessarily to accord with this background.

The emphasis on self-sufficiency in technology and resources has led to what is perhaps the most vital aspect of our atomic power programme—almost exclusive utilisation of indigenous natural uranium (U_{235} content around 0.7 per cent) and, later on, thorium as primary fuels.

The natural uranium—pressurized heavy water system adopted by India—is considered optimum from the neutron economy point of view, which is essential in the light of our relatively limited uranium reserves. Furthermore, this system is considered to be the best producer of plutonium

by conversion of uranium in the reactor during the generation process. This leads most suitably to our next and quantitatively more important stage in the atomic power programme, *viz.*, the use of fast breeder reactors. Fissile plutonium produced in thermal or slow neutron reactors can be used with fertile thorium in fast breeders to produce power as well as fissile uranium. The latter can then be used for further power generation, thus obviating the constraint of original fuel inventories.

Uranium prospecting and mining is a tricky business and the Department of Atomic Energy is making extensive efforts in this field. The precise quantum of proved and inferred reserves of uranium will depend on the final outcome of these efforts and, to that extent, the magnitude of nuclear power programme must necessarily remain uncertain. Another equally vital factor is the capability of our industrial infrastructure to supply special nuclear and other equipment needed for atomic stations. Due to factors such as close tolerances, stringent metallurgical compositions, special fabrication techniques, large unit sizes and a host of others, indigenous industry has been finding it difficult to meet our needs. Besides, design improvements in this nascent technology are not infrequent, and this does not help volume production. Transportation of large components has also posed some very serious problems, and dabbling in highway engineering has become one of our diversions.

In 1970, with Tarapur operational, nuclear capacity formed about 4 per cent of the total within the country. The figure will hover between 3 per cent and 4 per cent upto the end of the Fifth Plan, depending upon what actually transpires in the non-nuclear fields. The question of vital importance to perspective planning for energy is: What should be the corresponding proportions in the years 1990 and 2000?

If we are to follow international trends, particularly in advanced countries, there should be a relatively rapid rise in the proportion of nuclear power. However, as a consequence of the constraints mentioned earlier, it is unlikely

that, by 1990, the nuclear component will exceed 10 per cent of the then installed capacity. Even this will require an almost seven-fold increase during the eighties, which is indeed a very ambitious task. In terms of outlay, a rough estimate is that some Rs. 4,000 crores will be needed for atomic stations alone.

The programme beyond 1990 is likely to be equally ambitious, for by then commercial fast breeders would be in operation. As may be anticipated from earlier discussions, the rate at which breeders can be commissioned is closely interlinked with that at which the fissile plutonium inventory is built up. The results of the research and development now in progress will enable us to undertake more informed estimates of the programme for the decade 1990-2000.

The next nuclear station, after Kalpakkam and Narora, perhaps in the Western or Southern region, is not expected before 1982 or 1983. The capacity of this station will be around 500 mW initially, probably in two units, as an indigenous 500 mW set may not be available by then. For years beyond 1983, it is perhaps unnecessary to talk in terms of regions, for by then a strong all-India grid should be functioning. Atomic stations can then be located anywhere on purely technical and economic considerations, and the country as a whole may be expected to benefit from them.

In discussing perspectives of atomic power, one cannot overlook two important aspects, reliability and economics. Logically, these ought to be evaluated in the background of the strategy of the nuclear programme. It will be totally shortsighted and out of tune with the nuclear programme to look upon atomic power stations merely as sources of electrical energy. No doubt that is one of their primary functions, and it can be demonstrated that it has been adequately performed.

Tarapur has, since its commissioning in 1969, generated electricity at a rate of 4,155 kWh/kW per year, in spite of all its design and grid related problems, teething troubles of a highly complex technology, etc. The rate, if anything,

is higher than the corresponding figure for thermal stations in India, which have the benefit of several decades of indigenous experience.

The experience gained in the earlier years and the national stimuli of the year helped Tarapur to enhance this key figure to 5,000 kWh/kW in 1975-76 against a national average for thermal stations of about 4,550 kWh/kW. Even more remarkable was the fact that, during the year, there were only four forced—that is, unplanned—outages (the so-called "breakdowns") on both units together, with an average duration of only 4.6 hours. Unfortunately, corresponding details for other power stations in India are not readily available; but few, if any, stations are likely to have achieved a similar record.

The Atomic Energy Authority has fed over 10,300 million kWh to the Western Region at an average cost of less than 7.8 paise/kWh without burdening the Central exchequer and after appropriations to stipulated reserves. This should satisfy even the most exacting criteria of satisfactory performance.

But generating electricity is not the *only* function of atomic stations. Anyone who has been closely involved in both these and thermal stations will readily testify that the complexity and problems of a nuclear station are of a greater magnitude than those of conventional thermal stations. Lewis Roddis, President of Consolidated Edison of New York, for instance, observed that a repair job, similar to that which needed some 700 men over a seven-month period in one of their nuclear stations, would have needed 25 men for two weeks in a thermal station.

In view of this, a great deal of emphasis has been deliberately placed on properly assimilating the basic and peripheral technologies involved in the control of radioactive environments, development of special tools and equipment, advanced water chemistry and metallurgical techniques, highly sophisticated control and instrumentation systems and even comprehensive job-scheduling methods to suit our peculiar logistics. The extensive implications of

these in operations and maintenance can justify several seminars of their own, as can be seen from the activities of the International Atomic Energy Agency. Suffice it to observe here that despite its encouraging results, the atomic power programme is currently in an advanced stage of assimilation of technology. For perspective thinking, we are well on our way as far as reliability is concerned.

Will nuclear power be economically viable? With large investments that it will need, the question certainly assumes importance. It is generally conceded that hydro power is the cheapest source of electricity. The real comparison is between nuclear and thermal power based on coal. This is a more complex exercise than is generally understood. The first need is to develop identical ground rules and yardsticks. Unfortunately, a majority of current efforts suffer sadly on this account. Important factors—such as interest during construction, effects of escalation in fuel cost as delivered, need for supporting investments in railways, mines or heavy water plants, etc.,—which affect costs should be realistically assessed. What is equally important is that these factors should be dealt with by identical methods—*e.g.*, a discounted cash flow analysis of the life of a station. About the only serious effort on these lines has led the Fuel Policy Committee to the view that as many nuclear stations as we can build will be justifiable on overall economic considerations.

In conclusion, I would like to stress once again that formulating a perspective on atomic power is not merely a matter of quanta and costs. Basically, it involves the extension and implementation of a strategy for harnessing frontier technologies for our vital energy needs of the next five years. Nuclear power today can lead us to fast breeders tomorrow and to fusion power the day after, with MHD sometime in between. Thanks to the momentum imparted to the nuclear programme by the vision of our first Prime Minister, Mr. Jawaharlal Nehru, Dr. Bhabha and Dr. Sarabhai, we have crossed the "CAN WE?" stage. We must now concentrate on "WE MUST". And this, perhaps, is the central theme and essence of the Twenty-Point Programme.

REGIONWISE BREAKUP OF THE INSTALLED CAPACITY AS AT THE END OF THE FOURTH PLAN AND FIFTH PLAN BY TYPE OF PLANT

(Capacity in MM)

Region	As on 31-3-1974				As on 31-3-1979			
	Hydro	*Thermal*	*Nuclear*	*Total*	*Hydro*	*Thermal*	*Nuclear*	*Total*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Northern	2,200	1,759	220	4,179	4,005	4,379	440	8,824
2. Western	1,037	2,612	420	4,069	1,760	5,042	420	7,222
3. Southern	3,080	1,437	—	4,517	4,738	2,387	235	7,360
4. Eastern	580	3,102	—	3,682	977	4,462	—	5,439
5. North Eastern	67	147	—	214	138	177	—	315
6. Other Union Territories	—	3	—	3	—	3	—	3
7. Utilities Total	6,964	9,060	640	16,664	11,618	16,450	1,095	29,163
8. Non-utilities Total	—	—	—	1,792	—	—	—	1,792
9. Grand Total	—	—	—	18,456	—	—	—	30,955

Source: Fifth Five-Year Plan, p. 130

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9

INCENTIVES FOR HANDLOOM WEAVERS

B. T. ACHARYA

The Indian handloom industry is next only to agriculture in the number of persons employed. It is one of the ancient industries whose origins may be traced to the date of the Indus Valley Civilization (2,000 B.C.). During the British rule in India, the industry was completely uprooted because of the unequal competition offered by organised textile mills.

According to the 1961 Census, the number of cotton handloom weavers was about 21 lakhs. Similar data for the 1971 census is not available so far; but an idea of the present position of the industry may be had from the number of handlooms registered with the Textile Commissioner. According to the High Powered Study Team, there were 35.63 lakh handlooms in the country. In view of the fact that the employment potential of one loom is 1.5 persons and assuming at least one person per loom, this should account for the employment of nearly 3.6 million persons as against about one million workers in the organised cotton textile industry—that is, for every one person employed in the textile mills, there are at least 3 persons employed in the handloom industry.

Handloom weavers constitute about 20 per cent of the total labour force engaged in all types of manufacturing industries. In other words, for every 4 persons employed

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SHRI B. T. ACHARYA is Director, Centre for Studies in Decentralised Industries, Vaikunthbhai Mehta Smarak Trust, Bombay.

in factory and non-factory establishments, one is a hand-loom weaver.

Table 1 presents Statewise data on the number of handlooms and the respective share of the States.

It may be pointed out here that in North Eastern India, particularly in Assam, Manipur, Meghalaya and Nagaland, where handloom weaving is a tradition among women, this occupation is pursued to a considerable extent for non-commercial purposes such as weaving cloth for their own apparel. However, in this region also, a sizable number of looms are wholly or partially engaged in the commercial production of famous handloom products embodying the typical designs of the region.

The handloom industry has four segments of weaving: (1) cotton yarn, (2) wool yarn, (3) silk and art silk yarn and

Table 1

STATEWISE DISTRIBUTION OF HANDLOOMS: 1974

	State	*Number (in lakhs)*	*Per cent*
1.	Andhra Pradesh	5.97	16.7
2.	Assam	5.90	16.6
3.	Tamil Nadu	5.50	15.4
4.	Uttar Pradesh	5.09	14.3
5	Bihar	2.10	5.8
6.	Manipur	2.00	5.8
7.	Maharashtra	1.85	5.2
8.	West Bengal	1.60	4.5
9.	Rajasthan	1.42	4.0
10.	Karnataka	1.37	3.8
11.	Orissa	0.87	2.4
12.	Kerala	0.71	2.0
13.	Madhya Pradesh	0.53	1.5
14.	Gujarat	0.34	0.9
15.	Punjab	0.18	0.5
16.	Tripura	0.10	0.3
17.	Others	0.10	0.3
	Total	35.63	100.0

Note: States ranked according to the number of handlooms.

Source: Ministry of Commerce, *Report of the High Powered Study Team on the Problems of Handloom Industry*, July 1974

(4) mixed yarn of any two or more types of fibres. However, the cotton yarn-weaving industry serves nearly 90 per cent of the total handloom weavers in India.

Unfortunately, handloom weavers generally suffer from unemployment or severe under-employment either for want of adequate demand for their products and steep fluctuations in it, or lack of timely supply of raw materials in sufficient quantity. According to a rough estimate, on an average, a weaver is gainfully employed for about 200 to 250 days in a year, and is in a position to earn a meagre wage of Rs. 3 to Rs. 3.50 per day for almost ten hours of hard work. Thus, though he is responsible for keeping alive an age-old skill and assists in the manufacture of one-fourth of the total cloth production in the country, he himself is ill-clad and semi-starved. His condition is made more pathetic on account of his merciless exploitation by money-lender-cum-trader, on whom he has invariably to depend for working capital at usurious rates of interest, or on the master-weaver who gives him employment. These middlemen also indulge in many other malpractices such as over-pricing of raw materials, under-pricing of finished goods and making undue deductions on various counts. Even independent weavers often fall victims to the manoeuvrings of these people and have to resort to distress sales of their goods.

One may be inclined to think that the weaver in the organised sector of co-operatives would be better off than his brethren in the widely-scattered unorganised sector. If the "Statistical Statements Relating to the Co-operative Movement in India," published annually by the Reserve Bank of India, is any guide, the economic condition of the weavers in the co-operatives is no better than that of those outside them.

What is the cause of all this? What happens to the yarn released to the handloom sector? The facts are: firstly, the quality of yarn released by mills is mostly of lower counts, while the demand of the weavers is for higher counts, for the cloth of which the sales are brisk. The inevitable

result is that weavers are compelled to produce cloth which does not find a steady market, and hence the recurring problem of accumulation of stocks and distress sales.

Secondly, even of the yarn released for handlooms, the better quality surreptitiously finds a market in the powerloom sector, the biggest competitor of handlooms. Moreover, heavy seasonal fluctuations in the demand for cloth and the inability of the weaver to keep a proper track of the fast-changing fashions and consumer tastes make the situation worse for handloom weavers.

Rehabilitation Measures

Efforts to rehabilitate this largest languishing industry may be traced to the thirties. Thereafter, a great many committees and expert groups were appointed by Government, particularly after independence, to make recommendations for the rehabilitation of the handloom industry. The latest among them to report was the High Powered Study Team on the Problems of the Handloom Industry, July 1974 (Chairman: B. Sivaraman). During the past four decades, Government has taken many other steps but mostly in a perfunctory manner: the core of the problem was never really tackled.

The All-India Handloom Board was constituted to consider the special problems of the handloom industry and recommend measures to overcome them in order to ensure a speedy progress of the industry. The Board was required to develop and propagate improved weaving equipment and techniques as well as new designs to increase the productivity of the weavers and the marketability of handloom products. Weavers' Service Centres were started in different parts of the country for this purpose. A chain of handloom stores was also set up in big cities to tap the vast urban market and make handloom cloth more popular. An important measure taken in August 1949 by Government put restrictions on the production of dhoties and sarees by mills above a certain quantity. In April 1950, by a notification, the Textile Commissioner prohibited the production by textile mills, and by powerlooms with

five or more looms, of eight varieties of cloth. Later, similar restrictions were imposed on the production of three more varieties even by powerloom units, irrespective of the number of looms. But in actual practice, however, to quote the Sivaraman Team again, "the orders are honoured more in breach than in compliance and there is very little prosecution under the Essential Supplies Act."

In addition to the policy of reservation, Government, through various fiscal measures, tried to regulate the production of mills and powerlooms on the one hand, and spur the growth of the handloom industry on the other. In February 1953, the Government of India, through the Khadi and Other Handloom Industries (Additional Excise Duty on Cloth) Act, levied additional excise duty on cloth produced by mills except that which was exported. The duty so collected, together with the cess earlier imposed on mills, was pooled into a fund to be used exclusively for the development of khadi and other handloom industries.

Additional funds were allocated for their development under the various Five-Year Plans. Government also allocated specific spheres of production between the organised sector and the decentralised sector of both powerlooms and handlooms. Under this policy, beginning with the Third Five-Year Plan, Government allotted targets in quantitative terms for additional production by each of these three sectors on the basis of additional demand expected for the total supplies of cloth.

Notwithstanding all these measures, the handloom industry did not achieve the anticipated progress, primarily because of the stiff competion it had to face from the powerlooms. A major cause of the rapid rise of powerlooms may be attributed to Government's policy of reservation and the flouting of this policy by the powerloom sector. In fact, the Powerloom Enquiry Committee, 1964 (Chairman: Asoka Mehta), went on record about the various factors responsible for the rapid growth of the powerloom sector at the expense of the handloom sector.

Handlooms thus had to face competition from powerlooms on the one hand and depend for supplies of yarn and other inputs from the mills on the other. Therefore, they were exploited by both these groups.

Organisational Base

In order to strengthen the organisational base of the widely scattered handlooms, a programme of co-operativisation was launched almost two decades ago side by side with a programme of conversion of handlooms into powerlooms. Under this twin programme, financial, technical, supervisory and other kinds of assistance was extended through the All-India Handloom Board's Weavers' Service Centres, State Governments and the Reserve Bank of India.

At the end of 1973, however, hardly 10 lakh weavers, or about 7 lakh handlooms, and about 18,000 powerlooms had come within the ambit of co-operatives. Moreover, these co-operatives had to face many difficulties. As a result, the proportion of moribund handloom co-operative societies increased from 39 per cent in 1965-66 to 50 per cent in 1973-74. In absolute terms, out of about 11,000 handloom co-operative societies, as many as 5,000 were moribund. Of about 6,000 co-operative societies which were working in 1972-73, a little more than 2,000 were incurring losses. This state of affairs is not likely to have improved in later years. It is obvious that there is a strong case for strengthening the organisational base of the handloom industry if any meaningful programme is to be drawn up with a view to improving the economic conditions of weavers.

Production

The conversion of handlooms into powerlooms in a phased manner, as recommended by the Nityanand Kanungo Committee in 1954, was accepted by Government when it drew up a phased programme in 1961, but that, too, failed to make any headway. On the contrary, in the decade that followed, the various incentives and fiscal concessions announced for the encouragement of powerlooms resulted

in a mushroom growth of the so-called powerloom units with less than 4 looms from about less than 20,000 to 2.50 lakh unauthorised powerlooms in 1971.

No reliable estimates of handloom cloth production are given in any official report. However, a rough estimate may be arrived at on the basis of yarn made available to the handloom sector through the agency of the Textile Commissioner because this yarn is supplied by mills directly to handloom organisations in straight-hank form and can be used only by handloom weavers. For example, in 1973, about 215 million kgs of yarn were released to the handloom industry in hank form. If we assume about 10 metres of handloom cloth for one kg of yarn, handloom production in 1973 may be placed at around 2,150 million metres. At any rate, the production of handloom cloth, even in 1975, may not have reached the level of 2,500 million metres.

This production of 2,500 million metres on 30 lakh looms (excluding about 5 lakh looms used for non-commercial purposes) would yield an average production of less than 3 metres per day, ensuring a maximum wage of Rs. 2 per day—proof enough, if proof were needed, that there is acute under-employment among handloom weavers.

The data set out in Table 2 on the count-wise pattern of cotton yarn supplied to handloom weavers in hank form make it clear that, in recent years, the supply of coarser yarn of count below 20 has been increasing, while that of finer yarn has been diminishing. This is an unfortunate trend because the taste of consumers of handloom cloth has been shifting all these years to finer varieties; and if the handloom industry has not been able to cater to this demand, it is because the clamour of the weavers for yarn of higher counts used in the manufacture of dhoties and sarees—and these account for more than 50 per cent of the total handloom production—has been generally ignored. At times, when the market was buoyant, the unfortunate weaver has had to sit cross-legged with his loom idle on account of the non-availability of fine yarn.

Table 2

COUNT-WISE PATTERN OF COTTON YARN SUPPLY TO HANDLOOM WEAVERS IN HANK FORM

(Million Kg.)

Year	1-10s	11-20s	21-30s	31-40s	41-60s	61-80s	*Above* 80s	Total
1969	60.5	71.6	31.7	35.9	15.8	7.4	2.9	225.8
	(26.8)	(31.7)	(14.0)	(15.9)	(7.0)	(3 3)	(1 3)	(100 0)
1970	61.6	70.7	31 1	36 2	17 8	7.4	3.5	228.3
	(27 0)	(31 0)	(13 6)	(15.9)	(7.8)	(3 2)	(1 5)	(100 0)
1971	55.6	55.8	25.9	32.7	17.7	6.8	3 2	197 7
	(28.2)	(28.2)	(13.1)	(16.5)	(9 0)	(3.4)	(1.6)	(100.0)
1972	61.9	65 2	27.1	37.0	19.8	7.8	3.5	222 3
	(27.9)	(29.3)	(12.2)	(16.6)	(8.9)	(3.5)	(1 6)	(100 0)
1973	61.5	69.1	24 0	33.3	16 2	6.1	3.0	213 2
	(28.8)	(32.4)	(11.3)	(15 2)	(7.6)	(2.9)	(1.4)	(100 0)

Note: Figures in brackets show percentage to total.

Source: Textile Commissioner, Indian Textile Bulletin, Volume XX, No. 3, July-September, 1974

An Excellent Job

The High Powered Study Team has done an excellent job, for it has gone into every aspect of the development of the handloom industry during the last two decades or so—the policies formulated, the programmes implemented and the results achieved; and it made 91 recommendations for a complete reorganisation of the handloom sector, almost all of which were accepted by the Government of India in its Resolution dated 24th October, 1975.

Before the Twenty-Point Programme was initiated, the position about the reservation for the handloom sector was as under:

(1) *Varieties exclusively reserved for handloom sector*:

- (i) Piece-dyed dhoties;
- (ii) Lungis, sarongs; and
- (iii) Coloured cotton sares—piece-dyed or yarn-dyed.

(2) *Varieties exclusively reserved for handloom or power-loom units having upto 4 powerlooms each:*

- (i) Yarn-dyed dhoties;
- (ii) Chaddars, bed-spreads, bed-covers and counter-panes;
- (iii) Low-reed pick-cloth;
- (iv) Table cloth, napkins other than bleached variety;
- (v) Sarongs other than cotton coloured sarees with borders exceeding 2½" width or using imitation jari or jari border;
- (vi) Dusters;
- (vii) Towels, coloured, weaved; and
- (viii) Cloth of plain weave.

In pursuance of this reservation, and in the light of the Twenty-Point Programme announced by Prime Minister Indira Gandhi on 1st July 1975, Government decided to implement the following programmes with a view to accelerating the development of the handloom industry during the Fifth Five-Year Plan:

(i) Carry through schemes for the extension of co-operative coverage of handlooms to 60 per cent by the end of the Fifth Plan;

(ii) Start intensive development projects in compact geographical areas having a sizable concentration of handlooms, thus facilitating the use of all the necessary inputs as a package;

(iii) Set up a number of export-oriented production centres with a view to improving the quality and designs of cloth manufactured for export;

(iv) Take steps to ensure (a) adequate supply of inputs at reasonable prices and (b) alternative arrangements for the provision of credit to primary weavers' co-operative societies where central co-operative banks are weak and unable to provide credit;

(v) Reserve yarn-dyed dhoties, low-reed pick-cloth, all coloured sarees, dusters and towels in honey-comb weave or *erazha thortu* for exclusive production in the handloom sector in addition to the present three items, namely, piece-dyed dhoties, lungis and sarongs and coloured cotton sarees, piece-dyed or yarn-dyed; and

(vi) Re-introduce the tex-mark system for powerloom cloth.

Full Steam Ahead

For the implementation of these programmes, Government is going full steam ahead. Already, an organisation has been set up under a Development Commissioner, Ministry of Commerce, to achieve effective implementation of these programmes. Further, the All-India Handloom Board, to be shortly converted into a statutory body, has been suitably reconstituted, so that it may effectively supervise the implementation of the development programmes.

With a view to making larger and quicker benefits available to the handloom sector, Government has also

approved an intensive programme for the next five years, beginning with April 1976.

As a result, a total outlay of Rs. 308 crores has been approved for the handloom sector. About Rs. 240 crores or, 80 per cent of this outlay will be provided by financial institutions. Of the balance of Rs. 68 crores, the Centre will contribute Rs. 55 crores and the States Rs. 13 crores.

Seventeen intensive handloom development projects have been sanctioned so far, of which ten have started functioning, while the remaining are in the process of being set up.

About 75 per cent of the expenditure on these projects during the first three years will be met by the Centre. In the remaining two years, the expenditure will be shared equally by the Centre and the States. The total outlay earmarked for five years is Rs. 1.85 crores on each project.

It is expected that a substantial amount of credit will be made available to these projects by commercial and co-operative banks with a view to raising the total outlay on each project to about Rs. 5 crores.

The duration of the project is five years, after which it is expected to become self-supporting.

These projects will, among others, annually produce about 200 million metres of cloth worth Rs. 100 crores. This target is expected to be reached by the end of 1981; the mills will then be relieved of their obligation to produce an equivalent quantity of cloth of controlled varieties.

Government has since cleared three more projects, details of which are still not available, bringing the total number of intensive development projects to 20.

Each of these projects will cover about 10,000 looms in five years in compact areas, where there are large concentrations of weavers.

Boost to Export

Government has also sanctioned twenty export-oriented production projects, seventeen of which have been located

so far. The Centre will meet the full cost of these projects, the duration of which is five years, the total outlay on each being Rs. 40 lakhs.

Each of these projects will cover about 1,000 looms and earn about Rs. 40 crores in foreign exchange every year, when they go into full operation.

Tables 3 and 4 present Statewise data on the location of these two types of projects.

Table 3

INTENSIVE DEVELOPMENT PROJECTS

	State	*Location*
1.	Andhra Pradesh	Ruttur, Kovur and Vetapalam.
2.	Assam	Nalbari, Gauhati, Kamrup.
3.	Bihar	Bhagalpur, Dharbhanga and Madhubani, Biharsharif, Gaya, Ranchi and Hazaribagh.
4.	Gujarat	Surendernagar, Banaskantha, Ahmedabad.
5.	Haryana	Bhiwani.
6.	Jammu & Kashmir	Pampore, Pulwama, Trai, Tehsil, Chadoora and Badgam.
7.	Karnataka	Rabkavi — Banahatti.
8.	Kerala	Trivandrum
9.	Madhya Pradesh	Baloda, Kasdol, Raipur, Durg Mondiwada, Sausar and Maheshwar.
10.	Maharashtra	Nagpur.
11.	Manipur	Manipur.
12.	Nagaland	Kohima (Headquarters).
13.	Orissa	Bolangir.
14.	Rajasthan	Ajmer, Alwar, Bhilwara, Jaipur, Jodhpur, Jalore Kon and Pali District.
15.	Tamil Nadu	Erode.
16.	Uttar Pradesh	Gorakhpur.
17.	West Bengal	Nadia, Malda, West Dinajpore, Tomlub Sub-Division, Hoogly District.

Table 4

EXPORT PRODUCTION PROJECTS

	State	Location
1.	Andhra Pradesh	Hyderabad, Janagaon
2.	Assam	Sualkuchi, Upparhali.
3.	Bihar	Bhagalpur.
4.	Delhi	Bharat Nagar, Delhi.
5.	Haryana	Panipat.
6.	Jammu & Kashmir	Samba.
7	Karnataka	Bangalore.
8.	Kerala	Cannanore.
9.	Madhya Pradesh	——
10.	Maharashtra	Solapur.
11.	Orissa	Bhubaneshwar.
12	Pondicherry	Muthialpet, Pondicherry.
13.	Punjab	Amritsar, Tarn Taran, Hoshiarpur, Malerkotala, Anandpur Sahib.
14.	Rajasthan	Bikaner, Churu, Jaisalmer, Jaipur.
15.	Tamil Nadu	Karur.
16	Uttar Pradesh	Farukhabad, Etawah.
17.	West Bengal	Dinajpore, Murshidabad, Purulia.

An integrated textile policy will be worked out and implemented, which will earmark a definite role for the handloom sector in the remaining period of the Fifth Plan and thereafter. This would help the mills to concentrate their energies on the production of the varieties allotted to them.

In order to ensure adequate supplies of yarn to the weavers, the Centre has asked the States to arrange long-term supplies direct from the mills to the State apex co-operative societies or the State Handloom Development Corporations.

Besides this, the Government has taken steps to augment the production of yarn for handlooms with a view to making it available to weavers at reasonable prices. During 1976-77, a sum of Rs. 1.50 crores, as against Rs. 50 lakhs in 1975-76, has been placed at the disposal of the National Co-

operative Development Corporation to assist the uneconomic weaver co-operative spinning mills to expand to economic sizes.

Strict Enforcement

Government has issued instructions for the strict enforcement of the reservation order by the States. Wherever necessary, the latter have been advised to invoke the provisions of the Essential Commodities Act to punish any mill or powerloom refusing to follow the reservation order.

Government has extended the reservation order to cover the following varieties for exclusive production by the handloom sector. In all, the items reserved now cover the following 8 varieties:

Yarn-dyed dhoties; Piece-dyed dhoties; Yarn-dyed coloured sarees; Piece-dyed coloured sarees; Lungis and sarongs; Low-reed pick-cloth; Dusters; and Towels in honey-comb weave or *erazha thortu.*

The tex-mark system for powerloom cloth has been brought into force once again. This system requires that powerloom cloth must be stamped along with the permit number of the powerloom owner. This will enable identification and prevention of such cloth as is reserved for handlooms being marketed by powerlooms as handloom cloth.

Central financial assistance has also been provided with a view to creating and strengthening the necessary State organisation for the supervision and enforcement of the order on reservation and other matters.

During 1976-77, an outlay of Rs. 11.70 crores has been provided in the Annual Plan for the handloom industry. This is about 30 per cent more than the anticipated expenditure of Rs. 8.98 crores during 1975-76. Government has also announced a subsidy of Re. 1 per metre on controlled cloth produced by handloom weavers. This will help weavers to offset their losses in the sales of such cloth.

On the basis of a production target of 3,000 million metres of cloth by the end of the Plan, the Draft Fifth Five-Year Plan had envisaged an outlay of Rs. 55.32 crores (43.52 crores by the Centre and 11.8 crores by the States) on the development of the handloom industry. The Central outlay for the two-year period 1977-79 under the Twenty-Point Programme in different States proposed in the revised Fifth Five-Year Plan is indicated in Table 5.

The revised Fifth Five-Year Plan has now provided for a total outlay of Rs. 99.92 crores during 1974-79, of which the Centre's share is Rs. 37.30 crores and the States' contribution is Rs. 62.62 crores. The expenditure estimated during the first three-year period, 1974-77, is Rs. 37.05 crores, of which Rs. 7.30 crores is the Centre's share. This is about 37 per cent. So, the balance of 63 per cent of the total outlay is proposed for the two-year period, 1977-79.

Anticipated Results

During the 1976-81 period, the handloom sector is expected to produce an additional 200 million metres of controlled cloth in order to free the textile mills from their obligation to produce dhoties and sarees. Of the 200 million metres of controlled cloth, nearly two-thirds will be sarees and the balance dhoties.

The Reserve Bank of India and the State Bank of India have been specially geared to meet the increasing financial needs of the handloom sector. To sum up in the words of Mr. Mani Narayanswami, Development Commissioner for Handlooms: "A five-year action plan to overhaul the entire handloom industry in all the States and organise it on a co-operative basis is on the anvil."

Some of the other measures that have been introduced or are contemplated are:

(1) Spinning mills operating in areas where handlooms are located will be required to allot 25 per cent of the yarn produced by them to handloom weavers at cost price, mainly to enable them to produce controlled varieties.

Table 5

State	*Outlay (Rs. in lakhs)*	*Percentage to Total*
1 Andhra Pradesh	252	7.6
2. Assam	141	4.2
3. Bihar	180	5 4
4. Gujarat	39	1.2
5. Haryana	67	2.0
6. Himachal Pradesh	32	1.2
7. Jammu & Kashmir	50	1.5
8. Karnataka	171	5.2
9. Kerala	165	5 0
10. Madhya Pradesh	97	3.0
11. Maharashtra	191	6.0
12. Manipur	80	2.4
13. Meghalaya	22	0.7
14. Nagaland	7	... †
15 Orissa	55	2.0
16. Punjab	5	... †
17. Rajasthan	40	0 1
18. Sikkim	6	... †
19. Tamil Nadu	448	13 6
20. Tripura	38	1.0
21. Uttar Pradesh	915	28.0
22. West Bengal	187	6.0
23. Total (all States)	3,188	97 0 *
UNION TERRITORIES		
1. Andaman and Nicobar Islands	—	—
2. Arunachal Pradesh	12	0.4
3. Chandigarh	—	—
4. Dadra and Nagar Haveli	—	—
5. Delhi	30	1.0
6. Goa, Daman and Diu	1	—
7. Lakshdweep	—	—
8. Mizoram	39	1.1
9. Pondicherry	17	0.5
10. Total (Union Territories)	99	3.0 *
11. Grand Total	3,287	100.0

* Percentage to grand total.
† Negligible.

Textile mills will be asked to supply directly to the apex body of handloom weavers with a view to eliminating intermediaries, who are largely responsible for speculative trends in the prices of yarn.

(2) As a long-term measure, and in order to ensure supply of yarn to the handloom sector, an additional 25 spinning mills, each with 25,000 spindles, will be established in the next five years for the benefit of handloom weavers.

(3) Government, if necessary, will make it obligatory for all cotton spinning mills—about 605 at present having a total of 2.3 million spindles—which have been sanctioned additional capacity in the Fifth Five-Year Plan to market at least 65 per cent of the total additional yarn production in straight-hank form.

Prospects

Handloom piecegoods have an ever-expanding export market, for their coloured patterns have earned them a unique place; certain trade names, like those of Karur bed-

Table 6

EXPORT OF COTTON HANDLOOM GOODS

(In Crores of Rupees)

Year	*Fabrics*	*Garments*	*Made-ups*	*Total*
1955-56	—	—	—	8.4
1960-61	—	—	—	5.0
1965-66	—	—	—	12.6
1966-67	—	—	—	11.3
1967-68	—	—	—	11.7
1968-69	—	—	—	8 2
1969-70	7.8	1.2	4.1	13.1
1970-71	7.8	2.6	5.5	15.9
1971-72	10.0	5.9	6.7	22.6
1972-73	16.6	16 0	7.0	39.6
1973-74	32.1	35.0	9.5	76.6
1974-75	26.0	50.0	10.8	86.8
1975-76	—	—	—	180.0
1976-77 (target)	—	—	—	185.0

sheets and Madras kerchiefs, have been quite popular abroad. However, efforts have yet to be made to diversify production with a view to meeting not only the requirements of traditional foreign markets but, more important, tapping non-traditional markets where demand for these products is emerging very rapidly. Export-oriented production projects will be given all the necessary facilities of inputs, credit, market intelligence and assistance of specialised marketing agencies to enable them to produce such of these varieties as will fetch fancy prices abroad. Even otherwise, export trends from 1970-71 onwards have been most encouraging. In 1969-70, the export of handloom products, excluding silk products, amounted to about Rs. 13 crores. In 1974-75, this figure rose almost seven times to Rs. 86 crores; in 1975-76, the export value of these products climbed to Rs. 180 crores. This is more than half of the total cotton textiles exports. According to Mr. Mani Narayanswami, exports are expected to reach the Rs. 300-crore mark by the end of the Fifth Five-Year Plan.

Incidentally, it may be pointed out here that a major part of textile export earnings comes from handloom garments. Recently, some of the major importing countries (*e.g.*, the United States and some European Common Market countries) have agreed to special quotas to be supplied to them under a time-bound programme. The industry therefore needs to be geared to meet this golden opportunity.

Impact

The overall impact of the new measures cannot be spelt out in clear terms at present, for all these programmes are in the initial stages of implementation. However, strict enforcement of the reservation order and arrangements for the supply of yarn and other inputs more efficiently and in time should help weavers to double their production at the least. This would substantially augment their daily income, which may amount to Rs. 5 per head per day for about 250 days a year.

Secondly, with the expansion of the co-operative base to 60 per cent by 1981 and the efficient functioning of the

intensive development and export promotion projects, the present severe unemployment and under-employment among weavers will be reduced significantly. This will mean an overall improvement in the standard of living of about 3 million weavers.

Though the steps taken following the announcement of the Twenty-Point Programme will change for the better the complexion of life of the handloom weaver, the fact is that much yet remains to be done before he achieves a standard of life to which every human being is entitled. Measures will have to be initiated to ensure that this tradition-bound craftsman takes the fullest advantage of the latest developments in printing, dyeing, processing, designing and internal marketing; that he is psychologically prepared to take scientific training in his stride; that improved equipment and a proper supervision and guidance are made available to him to enable him to step up his productivity and his income.

Moreover, a reliable market-monitoring service, particularly that relating to the export market, should be made available to the handloom industry to enable it to keep abreast of changing consumer needs, tastes and fashions, and to organise its production programme accordingly. That it has managed to survive so far is due largely to the fact that the handloom weaver himself is a hardy person and popular demand for his products has made it possible for him to keep his head above water. Advantage should be taken of these facts, and modern technology, organisational methods and scientific management should be increasingly provided to ensure the maximum possible benefit for the handloom industry in the shortest possible period of time.

Already, the new forces released by the Prime Minister's Twenty-Point Programme and the momentum provided by the measures implemented so far have brought about a new awakening in the industry, and should give it a massive personal motivation for growth. How far this comes from within the weavers themselves remains to be seen, particularly when we bear in mind the fact that conflicting groups of vested interests have to be contained and eliminated with a view to reducing inequality and poverty.

THE CONTROLLED CLOTH SCHEME

A. D. PURANIK

The basic objective of the Twenty-Point Programme is to help the weaker sections in our economy to achieve a reasonable standard of living. From this point of view, the scheme of controlled cloth and its distribution is an attempt at solving the difficulties faced by the weaker sections in securing their textile requirements in the market.

There are two assumptions on which the entire scheme is based:

(a) A vast majority of the people are not in a position to buy their textile requirements at reasonable prices.

(b) The lower-income group will have to buy medium quality or coarse quality cloth because of their extremely low disposable income.

These two assumptions mainly take into account the nature of demand for particular varieties of textile products. Government's policy aims at presenting this demand before the textile industry in the hope that the latter would do something to solve the problems faced by the lower-income groups.

Government has also realised that the non-regulated operations of the free enterprise system would not automatically lead to its decisions in favour of meeting the requirements of the weaker sections. Hence, another com-

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SHRI A. D. PURANIK is Reader, Vaikunth Mehta National Institute of Co-operative Management, Pune.

ponent of the policy structure aims at regulating and disciplining the textile industry to achieve this objective. In view of this clear-cut departure from a policy of *laissez faire,* it is necessary to review briefly the evolution of the policy to control the textile industry from 1971 onwards.

During that year, there was a decline in the production of cotton, resulting in a spurt in cotton prices. Textile mills began to incur heavy losses on the production of controlled cloth. In view of Government's reluctance to permit an increase in the prices of controlled cloth, mills decided to cut down on its production. Government then appointed a committee in 1971 under the chairmanship of Shri C. S. Ramachandran to review the situation. The findings of the committee showed that the price of controlled cloth, fixed on the level of prices ruling in 1968, fell short of the production cost by as much as 63 paise per sq. metre. The committee therefore recommended that a subsidy, at the rate of 50 paise per sq metre, be paid to mills, which were expected to carry a loss of 13 paise per sq. metre. The committee also held the view that mills should supply 100 million sq. metres of controlled cloth every quarter, and that the old practice of stamping prices on controlled cloth should continue. Moreover, it recommended a change in the composition and varieties of controlled cloth—dhoties, sarees, long cloth of 120 cms. and below in width, shirting and drill. The Millowners Federation agreed to implement this scheme under the supervision of the Textile Commissioner.

According to this scheme:

(1) Packing of cloth in the previous year and the production of controlled cloth during August/October 1970, November 1970/January 1971 and February/April/May 1971 would be taken into consideration while deciding on the production target of each mill.

(2) If mills failed to fulfil this target, a penalty of 10 paise per sq. metre on the entire quantity allotted to them would be imposed. In addition, a cut in the quantity in the subsequent quarter would also be effected.

(3) Mills were advised to avoid any clubbed sales and sell controlled cloth also in their retail shops as well as communicate information to consumers through advertisements regarding the availability of controlled cloth produced by them at other centres.

(4) The National Consumers' Co-operative Federation was to receive preference in this scheme.

Some new proposals were initiated after 1971. For example, the rate of subsidy was fixed at 35 paise per sq. metre for a period of three months ending Februrary 1972, and was reduced to 30 paise in the following quarter. It was further slashed to 20 paise per sq. metre for the period ending December 1972.

Though it was decided that 200 million metres should be produced by mills in six months, the actual production did not exceed 160 million metres. As a result, the Federation decided to allot the balance for compulsory production to all the mills after taking into account the loom-shift working of each mill, and thus reduced the shortfall in production to some extent. At the end of December 1972, it was decided to discontinue the payment of subsidy, and allot controlled cloth quotas compulsorily to all the mills, either on the basis of their loom-shift working or of their packed production—at their option. While introducing this policy, it was announced that those textile mills, which were not in a position to manufacture coarse and lower medium varieties of cloth, should arrange for their quotas of the manufacture of cloth by other mills. This involved a considerable time lag, which resulted in a production shortfall of 36 million sq. metres in the first quarter of 1973. Government also issued orders in October 1972, fixing the agencies that would distribute controlled cloth. These were:

(1) Mills' own retail shops;

(2) Super bazars;

(3) Fair price shops opened by State Governments; and

(4) The National Consumers' Co-operative Federation.

Another important policy decision was the reduction in the margin between ex-mill and retail prices from 20 per cent to 12½ per cent.

The next step in the evolution of the controlled cloth production scheme was the payment of contribution by the mills at the rate of Re. 1/- per sq. metre of the shortfall in the achievement of their production targets. This policy was continued with some changes. For instance, mills were under obligation for the first six months of 1973 to produce 1.72 sq. metres per loom-shift on the basis of the total number of loom shifts working in 1971. This worked out to be 6 per cent of the total packed production in 1971. From July onwards, the obligation was fixed at 3.44 sq. metres per loom-shift working or 12 per cent of the packed production in the base period.

This was followed by two other decisions:

(i) Government asked mills to exercise voluntary price control on non-controlled varieties of coarse, lower medium and higher medium cloth at 10 per cent above the prices ruling in November 1972.

(ii) The practice of stamping prices of non-controlled cloth was continued up to the end of March, 1974.

The increasing cost of production following a spurt in the prices of cotton, wages and other inputs, together with the operation of the statutorily-controlled cloth scheme and the voluntary price control scheme had reduced the profitability of the industry. Hence, Government announced a new policy, an outline of which is given below:

(1) From April, 1974, mills were obligated to produce 800 million sq. metres per annum, including cloth of higher medium varieties.

(2) Government agreed to an increase of 30 per cent over prices of controlled cloth ruling in 1968.

(3) Failure to fulfil obligations involved a contribution from the mills at the rate of Rs. 2.50 per sq. metre instead of the old rate of Re. 1/-.

(4) Margin in the distribution of controlled cloth was raised from $12\frac{1}{2}$ per cent to 20 per cent of the ex-mill price.

(5) A mill exporting more than the targeted quantity was allowed certain concessions. Such a mill would get exemption from its statutory contribution at the rate of one sq. metre for every three sq. metres of controlled cloth.

Subsequently, Government felt that the scheme of voluntary price stamping of non-controlled cloth should be discontinued. In respect of cloth of higher medium varieties, mills were allowed to meet outstanding commitments entered into prior to March 31, 1974. They were also permitted to sell at controlled prices 20 per cent of the controlled cloth manufactured by them through their authorised retail shops in urban and semi-rural areas.

On 1st October 1974, another new scheme was announced. The production of the mills, either on packed production basis or on loom-shift basis, was to be calculated every quarter to achieve a production target of 800 million sq. metres of controlled cloth per annum. The export rebate available to them would be taken into account for this purpose. In the previous quarter, the rebate was at the rate of Re. 1 per sq. metre of controlled cloth on the export of Rs. 5 worth of f.o.b. value of cloth. In other words, their export performance up to September 1974 was taken into account towards the fulfilment of their controlled-cloth obligation upto December 1974. In addition to this, inter-mill transfer in respect of either excess controlled-cloth production or excess export performance was also allowed. Exports of readymade garments earned a rebate of one sq. metre for exports worth Rs. 7.50 f.o.b.

The scheme was further refined because of inadequate sales of grey long cloth. The National Consumers' Co-operative Federation wanted an increase in the supply of dhoties and sarees up to 45 per cent of the total controlled-cloth production. From January 1975, mills were therefore directed to fulfil a fifth of their obligation in the shape of dhoties and sarees. This resulted in a substantial rise in the output of these varieties.

According to the Dhoti Quota Act, the clearance of dhoties by mills in excess of their quarterly quota attracted penal excise duty. As this had resulted in an abnormal increase in the selling price of controlled dhoties in some cases, Government subsequently placed this variety of cloth outside the purview of the Act.

As the quality of controlled cloth was poor, the market did not absorb it according to expectations. Nevertheless, its production figures rose, and it was not possible for the National Consumers' Co-operative Federation to cope with its supply. Government therefore decided to improve its minimum specifications. Accordingly, from March 1975, mills were asked to supply cloth with higher reed and pick.

There were some other problems faced by the mills:

(1) Late receipt of despatch instructions, resulting in the accumulation of stocks.

(2) Government did not consider the suggestion that the NCCF should open letters of credit after the issuance of release orders by the Textile Commissioner.

In the light of these difficulties, mills were permitted to operate through approved channels without the ceiling of 20 per cent. This, however, did not solve the problem of excess stocks of controlled cloth with the mills.

Therefore, from April 1974, Government decided to increase its production from 400 million sq. metres to 800 million sq. metres. During the year 1974-75, the actual production exceeded the targeted production by about 23 million sq. metres, and stocks of controlled cloth accumulated.

The following table would indicate the position:

Period	*Unallotted bales of 1,500 sq. metres each*	*Equivalent million sq. metres*	*Approximate value (in crores)*
April 74	19,275	28.91	3.47
April 75	94,000	141.00	21.15

Problems of Marketing

The accumulation of stocks with the mills created some problems of regulating production and making controlled cloth available to consumers in a satisfactory manner. The National Council of Applied Economic Research, New Delhi (NCAER), was therefore entrusted by the Indian Cotton Mills Federation, Bombay, with the responsibility of studying the market problems of controlled cloth. In May 1975, the NCAER came to the following conclusions:

(1) Consumers in rural areas have been able to get only 15 per cent of the controlled cloth. Twenty-seven per cent of the balance of 85 per cent production reached the consumers in metropolitan cities and 58 per cent of that balance was available to consumers in urban areas.

(2) Seventy per cent of the controlled cloth buyers belong to the salaried classes employed in manufacturing industries or other organisations, including Government. Less than 10 per cent of the total controlled cloth was purchased by cultivators and agricultural labourers.

(3) The scheme does not serve the purpose of protecting these sections in a satisfactory manner.

A press note issued by the Federation on 23rd May 1975 extensively quotes the conclusions of the NCAER report. The key point in the press note is that because of an insufficient number of retail outlets in rural areas, controlled cloth sales are mostly confined to people residing in the metropolitan and urban complexes. For instance, in Maharashtra, there are 9.4 million households, but only 800 retail outlets. Out of these, 350 outlets are situated in the Bombay metropolitan complex alone. This sort of concentration militates against the attainment of the objectives of the scheme. The NCAER studied 100 retail outlets in 9 States, selling controlled cloth. The study shows that "where a consumer has been fortunate to reach the retail outlet on the day of stock availability, he has been able to buy cloth at the prescribed price."

Changing Tastes

So far, we have considered the aspects of the scheme of distribution of controlled cloth from the point of view of supply and marketing. However, we have got to consider the problem from the point of view of demand as well, because a proper estimate of demand in the next five years would provide some basis for the formulation of a sound policy.

The demand for textiles would depend on:

(1) Total population;

(2) Rate of growth of national income;

(3) Level of per capita income; and

(4) Income elasticity of such demand.

Experts have estimated the aggregate requirements of textiles with reference to these points.

The following table would indicate the demand for textiles from 1975-76 to 1980-81:

Year	*Estimated Population (in million)*	*Estimated per capita requirement of textiles (in metres)*	*Estimated aggregate requirement of textiles (in million metres)*
1975-76	605	18.06	10,900
1976-77	615	18.61	11,450
1977-78	625	19.18	12,000
1978-79	636	19.77	12,600
1979-80	646	20.38	13,200
1980-81	657	21.00	13,800

The per capita demand for textiles in 1980 is expected to be 21 metres. If the per capita availability of cloth was 15.33 metres in 1970, then this anticipation would represent an increase of 5.47 metres over the base level on the assumption of 3.5 per cent growth rate — a demand which cannot be considered as abnormally high. If we consider the per capita requirement of textiles (excluding woollen and flax) in other countries, it would be noticed

that in India the demand is extremely poor. In 1980-81, the aggregate demand for textiles of cotton and man-made fibres would be 13,800 million metres. This would represent a rise of nearly 3,000 million metres in less than 5 years from now. It is estimated that there would be a shortfall in production of about 1,500 million metres by 1980-81 on the assumption of an anticipated per capita demand of 21 metres. This would mean that the total production would be only 12,300 million metres (10,300 million metres of cotton textiles and 2,000 million metres of man-made fibre fabrics).

Fifteen per cent of 12,300 million metres will be superfine cloth from indigenous and imported extra long staple cotton and polyester fibre, which would meet the requirements of only the upper-income classes. Hence, the supply gap would be mainly felt by the middle- and low-income groups. The additional production of coarse and medium varieties of cotton textiles or rayon and other cheaper man-made fibre fabrics will bridge the supply gap of 1,500 million metres.

If a gap of 1,500 million metres of cloth is to be bridged exclusively through cotton textiles, nearly 1.2 million bales of cotton would be required. Experts are of the opinion that this would require an increase in cotton output of 6 per cent per annum till 1980-81, which would be possible only if the following conditions are satisfied:

(1) There should be an extension of the area under cotton cultivation by nearly 1.2 million hectares.

(2) Cotton yield per hectare should increase from 140 kg to 180 kg.

Wide Gap

In view of this situation, some experts have come to the conclusion that it would not be possible to bridge the gap in supply exclusively through a rise in cotton production. It is necessary therefore to consider whether encouragement to the manufacture of man-made fibre fabrics of cheaper variety would help the country to bridge the gap in

the supply of textile products. Moreover, mixed and blended fabrics are gaining in popularity among middle- and low-income households in both urban and rural areas. For the satisfaction of this consumer preference, it would be necessary to provide for a proportionately larger increase in the production of rayon-mixed and blended fabrics.

There is yet another important dimension of the problem. Better utilisation of the idle capacity would also go a long way towards bridging the gap in the supply of textile products. For instance, from 1968 to 1971, the organised spinning sector utilised only 73 per cent of its capacity. During the same period, the weaving sector utilised only 66 per cent of its capacity. The powerloom and handloom sectors represent 45 per cent of the total cloth production. Their utilisation of the capacity was about the same. If a proper policy is formulated, it is quite likely that improvement in the utilisation of available capacity, both in the organised and handloom sector, would considerably help in the implementation of the Twenty-Point Programme.

Need for Diversion

It is estimated that the share of fine and superfine cloth in the total production of cotton textiles is likely to reach 30 per cent in 1980-81, representing an increase of 6 per cent. The share of synthetic fibre fabrics, on the other hand, would be 9 per cent in 1980-81. In view of this situation, some diversion of this share to the manufacture of cheaper varieties of coarse as well as mixed blended fabrics would be called for to meet the requirements of middle- and low-income families. Choice will also have to be made in favour of expanding the production of coarse and medium varieties of cotton, rayon and some of the cheaper varieties of fabrics. The realisation of the objective of the Twenty-Point Programme would require careful consideration of the assessment of demand and changing tastes of consumers. At present, there is considerable stress only on textile requirements based on cotton. Hence, a plea is made in favour of diversifying the production pattern to meet

the changing requirements of the consumers belonging to lower-income groups.

Some facts in this connection would highlight the need for a policy of systematic diversion in favour of the man-made fibre fabric industry, assuming that the total exports of cotton textiles reach a level of 1,000 million metres by 1980-81. The aggregate availability of cotton textiles for domestic consumption would be approximately 10,300 million metres by 1980-81. If we consider the anticipated demand for cotton and man-made fibre fabrics (13,800 million metres by 1980-81), there would be a gap of 3,500 million metres and this could be met by the man-made fibre fabric industry which at present produces 1,000 million metres of cloth.

The Task Force on Textile Industries has recommended that the following distribution of cotton cloth production in the organised and decentralised sectors should be continued:

(1) Coarse and lower medium, 42 per cent;
(2) Higher medium, 36 per cent; and
(3) Fine and superfine, 22 per cent.

This would imply, according to the Task Force, a shift in emphasis from the development of high-yielding long staple varieties towards medium and short staple varieties. If this pattern is to be accepted, it is essential that a cotton cultivation programme be pursued vigorously by Government and farmers.

The Task Force has also referred to a new dimension of the problem. If the cloth requirements of the poorest 40 per cent of the population at the end of the Fifth Plan are to be met, 2,560 million metres of coarse and lower medium cloth would be required. In this connection, it also points out that 50 per cent of the internal cloth availability would be from the decentralised sector. Hence, it recommends that this sector should be given high priority in the controlled cloth scheme. At present, only some few States have moved in the direction of this scheme. However, it is necessary that a national decision binding on all

States is taken in time with a view to meeting the cloth requirements of the poorest 40 per cent of the population.

Distribution of Controlled Cloth

It has been decided that the National Consumers' Co-operative Federation should play a positive role in the distribution of controlled cloth. The NCCF has, however, pointed out the difficulties faced by it in playing its role properly. This apex level network of co-operatives claims that, out of 29,324 retail outlets under its orbit, nearly 23,640 operate in rural areas. Between 1972 and 1974, the mills produced 3.70 lakh bales of controlled cloth, of which the co-operative distribution channel lifted 3.32 lakh bales—a creditable performance by any standard. Government expected the textile industry to produce 800 million sq. metres of controlled cloth per year from April 1974 onwards, but till February 1975 only 5.38 lakh bales were available for distribution. The co-operative distribution channel undertook the responsibility of distributing 4.30 lakh bales of controlled cloth. It complained, however, that the mills had begun to produce poor and sub-standard cloth. It was therefore compelled to reject 42,000 bales.

Sub-Standard Cloth

The Textile Commissioner introduced new specifications from 1st March 1975. Again, the mills produced only 3.06 lakh bales of controlled cloth from March 1975 to October 1975. The co-operatives were expected to lift 2.45 lakh bales of controlled cloth but actually lifted only 2.43 lakh bales. This marginal shortfall was due to the fact that there was accumulation of sub-standard cloth, resulting in the locking up of their funds. Textile mills have made a great deal of fuss over this, though they also accumulated unsold stocks despite the fact that they were expected to sell 20 per cent of the controlled cloth through their own channels of distribution. The NCCF feels therefore that mills are trying to make a scapegoat of it for its marginal failure in lifting the allotted quota of controlled cloth.

In this connection, some of the important points, which throw light on the attitude of textile mills towards Government policy, are listed below:

(1) When Government expected the mills to produce 800 million sq. metres of controlled cloth, the latter began production of cloth of short width and low reed/pick.

(2) Prior to the fixation of this target, mills were manufacturing drill, which represented 10 per cent of the total controlled cloth production. This percentage fell to 0.3.

(3) Instead of manufacturing 800 million sq. metres of controlled cloth, the National Textile Corporation (NTC) and some other mills produced only 550 million sq. metres.

(4) The malpractices of private trade have increased. It is very difficult to know how and where controlled cloth disappears as soon as it leaves the premises of the mills.

(The NCCF is of the opinion that private trade should be allowed to lift stocks only after the co-operatives have received release orders along with samples, and a reasonable time has elapsed after despatch instructions have been issued. To expect the co-operatives to do all these things within 15 days is to favour the private trade. Hence, the NCCF wants more time for this.)

(5) At present, good mills are transferring their obligations to weaker mills under the policy of inter-mills transfer of obligations. This, according to NCCF, creates difficulties in the proper distribution of controlled cloth.

(6) A proposal from the mills that the prices of controlled cloth should be increased so that their losses are minimised is not appreciated by the NCCF, for it points out that mills have already been allowed to increase prices by 30 per cent from 1st April 1974. Any further rise in prices would cause hardship to the weaker sections.

Improved Quality

However, there is no gainsaying the fact that cotton prices should be stable. According to the NCCF, a low trend prevailed in cotton prices till November 1975. There-

after cotton prices shot up. This has placed Government on the horns of a dilemma. If it allows a further increase in the prices of controlled cloth, the poor will suffer. If it does not, the losses of mills will go up. The obvious choice would of course be in favour of a decision to keep the prices of controlled cloth stable by adopting measures which would stabilise cotton prices.

Thus the controlled cloth scheme has been beset with somewhat intractable problems. It is obvious that if the scheme is to succeed and the objectives of the Twenty-Point Programme are to be fulfilled, drastic measures must be adopted to improve the quality of the cloth produced under this scheme. To begin with:

(i) Cotton mixing used for manufacturing these fabrics should be standardised both in regard to quality and price, and fibre made available to mills in the required quantity.

(ii) Quality and production norms should be set at different stages of processing of these fabrics, and a suitable inspection machinery should be established to examine how far the norms are attained in actual practice Suitable incentives should be given to mills which meet these standards.

(iii) Standards of fabric construction and quality should be laid down.

Changing Rural Tastes

Adequate note should also be taken of the changing tastes of consumers in rural areas, and the diversification effected in the field of man-made fibre fabrics. It should, moreover, be ensured that textile mills do not take advantage of concessions and incentives at the cost of the weaker sections. The problems highlighted by the NCCF must be taken very seriously, and a proper co-ordination between the production and distribution network has to be achieved. The report of the National Council of Applied Economic Research on the difficulties encountered in making controlled cloth available to poor consumers should be the basis of a scientific formulation of policy.

Two of the pre-requisites for the success of the distribution of the controlled cloth scheme are stable cotton prices and a progressive rise in cotton output. For this purpose, some policy decisions will have to be taken at the highest level. The monopoly procurement scheme operating in Maharashtra may also show better results, if adopted on an all-India basis. Such a scheme would go a long way towards stabilising prices of cotton of different varieties. The third pre-requisite for the ultimate success of this scheme is the proper implementation of the enabling measures for the decentralised sector to achieve its production targets.

The fourth pre-requisite is to ensure that the cloth produced under this scheme is not of sub-standard quality and satisfies certain minimum requirements. Measures to achieve this objective have already been outlined. This is the least we should do to ensure that the New Programme achieves concrete results for the weaker sections of the community.

SOCIALISATION OF URBAN AND URBANISABLE LAND

ARDHENDU BHATTACHARYA

The ills and the social malaise in the Indian urban scene are attributed to unfettered urban expansion. The decades covering 1941-71 witnessed India's major urban expansion, an expansion that had swept over the entire country at about the same time. During 1941-71, the urban population leaped forward by 65 million additional people, making up an impressive total of 109 million urban dwellers in 1971. Lured by economic and social opportunities, the population moved from the countryside to urban areas and from the smaller towns to large agglomerations. As a result, the population of large agglomerations has continued to swell, leading to a rapid suburban spread functionally linked to the city centre.

The Urban Scene

The urban population in the country as a whole has moved faster than the rural population, and has been growing at the rate of 3.8 per cent as against the 2.4 per cent overall growth of population in the country. The rate of growth is not uniform for all city-size groups. For metropolitan cities, the growth rate has been 8.4 per cent, for cities with a population of 3,00,000 to 1 million 7.5 per cent, and for smaller cities, with a population of 1,00,000 to 3,00,000, it has

SHRI ARDHENDU BHATTACHARYA is Economists, City and Industrial Development Corporation of Maharashtra. (CIDCO), and Bombay Metropolitan Region Development Authority, Bombay.

been 3.4 per cent.[1] The "pull" of metropolitan centres has thus been greater than that of smaller and medium sized cities—a fact which tends to distort the picture of urbanisation. If this trend continues unabated, there are reasonable grounds for expecting an accelerated growth of larger cities in future.

The reasons for such a large growth in metropolitan centres seem to be associated, one way or another, with economic forces Urban expansion in a city occurs because of (i) a net natural increase in population and (ii) movements of immigrant population. The latter, of course, plays a leading role in this growth[2] The causes of migration are many, but they may chiefly be explained by the wide differences in the levels of economic growth. The "push" from stagnant or declining opportunities in the sending areas, together with expanding opportunities in large agglomerations, plays a major role. The people with the greatest incentive to migrate are those who are of a lower economic status, who look upon large cities as work centres offering them vast and unique opportunities with diverse employment bases and a rich social variety. The modernised commercial and business sectors, the developed industrial base, together with transport facilities for the collection of inputs and for the distribution of finished products, and the advantage of a large population—these lead to a continuous expansion of markets, with the result that more and more labour and enterprises are drawn in to profit by them.

The cumulative effects of these activities no doubt cheapen services and costs to the individual, but if they grow unchecked, they may create far-reaching problems. Over-concentration of economic activities in a complex which is commercially self-supporting tends to create a demand-supply disequilibrium and push up prices of land and accommodation A greater speculative element enters in real estate

1. *Socialisation of Urban Land,* Ministry of Works & Housing, Government of India.

2. *Problems of Rapid Urbanisation in India,* by J. B. Bulsara (a Study sponsored by the Planning Commission).

deals, for buyers and sellers are increasingly motivated by an optimistic view of future potentials of prices, and this leads to a continuous spiralling of real estate values as well as to underhand deals and consequent large-scale evasion of taxes and the creation of unaccounted money. Metro cities usually attract an increasing amount of capital to consumption sectors, such as housing and real estate. Because of the speculative character and nature of the real estate market, Government loses revenue and the middle class and the poor find it difficult to have a home at a reasonable price. The soaring land prices leading to distortions in land uses, lack of open space, widening disparities in standards of housing among different income groups, proliferation of slums and squatter settlements in the absence of social housing, together with an indiscriminate growth of industries, lead to environmental pollution, from which, again, the poor suffer more than any other income group. The enormous concentration of economic activities in large cities also prevented their dispersal to less developed areas. At the same time, the concentration of well-situated land parcels in private hands complicated the implementation of city development proposals. To overcome these handicaps, to make land available for appropriate uses, to generate funds for urban development, and to mount a frontal attack on one of the major sources of black money, Parliament enacted the Urban Land (Ceiling & Regulation) Act early in 1976. Following this enactment, the freezing of land transactions achieved one of the major Government objectives, *i.e.* to "subserve the common good." Land Revenue, too, it is reported, have gone down in many parts of the country. The Act may therefore be viewed as one of the many anti-inflationary measures.

Main Provisions

Laws were enacted in the past to control the ownership of urban land and its distribution. The basic legislation for land acquisition by a public authority was the Land Acquisition Act of 1894—a Central Act. Following this, many States passed their own land acquisition laws, based largely on the Central Act. The principal problem in land acquisition

hitherto has been the complex machinery and procedures involved in such acquisition of private property. This problem was aggravated when the courts ruled that payment of compensation should be made on the basis of the prevailing market value.[3] Town Planning Schemes also regulated and ensured a proper utilisation of urban land without, of course, disturbing private ownership or private profit-making activities. In recent years, Land Acquisition and Ceiling Acts were passed to provide for the redistribution of agricultural lands for purposes of cultivation. Urban land was excluded from their purview.

In other democratic countries, there are controls of land sales, the purposes being

(i) To prevent undue increases in the prices of land; and

(ii) To prevent use of land for speculative or uneconomic activities.[4]

The present Urban Land Ceiling Act incorporates three main features:

(i) It imposes a ceiling on the holding of vacant land by a person (an individual, a family, a firm, a company, or a body or association of individuals);

(ii) It imposes a ceiling on the plinth area of dwelling units to be constructed in future; and

(iii) It regulates transfer of urban property.

The ceiling limit for vacant land varies from 500 sq. metres to 2,000 sq. metres, depending upon the category of an urban agglomeration. The Act has also imposed a ceiling on plinth area at 300 sq. metres in cities falling in categories A and B and 500 sq. metres in those falling in categories C and D. Details of ceiling and plinth area limits are given in Table 1.

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3. *Urban Government, Finance & Development*, by Abhijit Datta, 1970 (World Press).

4. Two Articles on the Urban Land Ceiling Act published in *The Economic Times*, 2nd & 3rd March, 1976.

Table 1

LAND CEILING AND PLINTH AREA LIMITS IN DIFFERENT URBAN AREAS

Category of Urban Area	*City Agglomeration**	*Ceiling limit (in sq. m.)*	*Plinth area limit (in sq. m.)*
A	Bombay, Calcutta, Delhi, Madras	500	300
B	Urban areas having a population of more than 10 lakhs	1,000	300
C	Urban areas with 3 to 10 lakhs population	1,500	500
D	Urban Centres having a population of 2 to 3 lakhs	2,000	500

* By an urban agglomeration is meant the limit to which urban influences extend. Depending on the size of the urban centre, its peripheral influence area will vary between 1 km to 8 kms In the case of the four metropolitan cities, the peripheral area extends upto 8 Kms from the Corporation limits.

Development of Lower-Order Cities

The overwhelming attraction of metropolitan centres hinders the spread of economic activities to less developed areas and, therefore, creates inter-urban economic imbalances. The lower and more rigorous land ceilings now imposed in metropolitan areas and the liberal provisions in smaller cities will, to an extent, help in transforming the less developed areas. Other policy measures, however, must simultaneously be adopted to contain the growth of metropolitan cities and to guide urban development towards less developed areas, for the Urban Land Ceiling Act, though a powerful instrument for the attainment of some social objectives, cannot by itself create conditions for the dispersal of activities to lagging areas. A balanced spatial growth would reduce the "pull" of metropolitan centres and inhibit the flow of migrants. A conscious and deliberate plan to develop lower-order cities by siphoning off economic activities, which would otherwise take place in metro cities, would therefore help to maintain the size of the metropolitan areas within

viable limits. By this process, the deglomerative force—resulting from the massive growth of large cities as reflected in urban housing, traffic and the deteriorating quality of urban services—may be kept in check. Guided by private costs, individual entrepreneurs are, however, quite unmindful of such deglomerative trends and take advantage of opportunities for their own economic gains. Social diseconomies are often curtailed, for users of land are not always called upon to pay the full social costs associated with land use. The rapid creation of new jobs in metro cities requires expansion of rail and road capacities and other infrastructural requirements, often at an exorbitant cost. An unplanned city growth leads to all kinds of social problems—slums, pollution, congestions, vice, law and order; and an increasing amount of public expenditure in large cities is earmarked for health and welfare services and the maintenance of law and order. Hidden subsidies on urban transport and on many other services reduce the disadvantages of city locations for land users. (It is for these reasons that the further growth of large cities should be curbed.) A reversal of these trends is possible through a combination of measures, including land ceilings and a prudent system of incentives and disincentives.

Some Suggestions

For this purpose, various measures may be considered. First and foremost, the civic authority must be able to maintain the minimum requirements of open spaces in relation to population in different localities of the city. A reasonable proportion of work sites in a city centre, vacated by the shifting of activities or acquired under the Urban Land Ceiling Act, should rapidly be converted into open space for public use. A system of development controls may also be introduced to prevent the expansion of an activity—whether industrial, commercial or official—which can be carried on elsewhere, provided that it is not vitally linked to the life in the city. The city authority may also go in for a stricter enforcement of zoning regulations, including a proper FSI control on the construction of new premises, imposi-

tion of an employment tax, etc. Some positive incentives may also be offered at new growth centres, such as subsidised land, lower interest rate on credit, longer amortization and subsidised housing.

Planned industrial and economic growth can, therefore, be the basis for a future settlement policy and lead to the development and growth of medium and small-sized cities/towns. But it would be necessary to equip these centres with such utilities as an assured supply of water and power, transport and communication network, cultural and educational facilities, health and other social amenities. Long-term credit at low rates of interest, with a provision for delayed payment during the early years of development, may also be provided to local development bodies. As far as possible, the objective should be to take advantage of the existing medium-sized towns and revitalise them as new growth poles by making marginal additions to the existing town infrastructure, and thus avoid the costly investments involved in the development of new towns. A greater part of the finance for this purpose can be provided through supplementary grants from the Central Government, presently given under the Fifth Plan outlay on urban development projects and the extra financial assistance made available for urban development projects of national importance. In particular situations, where new town development is inescapable to channelise new growth, compact and integrated satellite townships may be planned, as in the case of the Vashi node in New Bombay or Salt Lake City near Calcutta.

Economic growth in most smaller centres, however, continues to be inadequate. Few careful and systematic studies have been conducted to determine the economic activities best suited to each area which will have the maximum snowball effect on the regional economy. Where some industrial development has taken place, the non-manufacturing activities have invariably grown very slowly because head offices are located mostly in metro centres, from where all the business functions relating to sales, purchases, finance, etc. are performed. These factors, therefore, retard the development

of banking, insurance, trading and transport activities and the associated job diversifications in the new growth areas. A planned growth of smaller towns may also be synchronised with the development of the farm sector surrounding them. The urban sector, by providing diverse services to the rural community, may then exercise a powerful modernising influence in the entire region. The benefits of these developments will accrue to rural areas and to urban centres as well in the form of expanding markets and product diversification. The task of local skill formation, which constitutes a major constraint, may be taken care of by a public body. The improved prospects for higher and technical education and job opportunities will reverse the present trend of large-scale migration of youth to metro centres, and thereby achieve a better distribution of population in cities and towns. In other words, the benefits of land ceiling measures can be optimised, provided simultaneous measures are taken to control the monstrous growth of large cities and to trigger off growth in smaller centres. Only through a combination of these different measures can the State hopefully give shape to its declared policy of *backward area development* and balanced urban growth.

High Land-Cost

The supply of land in a city is limited in relation to the demand for it. If the available space in a city remains in private hands, it is likely to be allocated among alternative ues (within the broad zoning regulations) in private markets based on the opportunity-cost criterion. The growth of economic activities and the ever-increasing immigrations in a large city constantly interact against the limited supply of land and increases its scarcity value. High land-costs, added to the rising cost of conventional dwelling units, prevent the low-income family from acquiring a home at a reasonable price. Thus, a very high percentage of urban households is forced to live in make-shift temporary shelters under conditions of intolerable discomfort, which lead in turn to the proliferation of slums and squatter settlements and con-

sequent degradation of environment. The social control of land can thus be justified on the same ground which impels the State to intervene in times of scarcity to ensure a fair and equitable distribution of essential commodities through a system of rationing and control.

An indication of high land-price in the Bombay-Thana belt is revealed by a survey of real estate conducted by the City and Industrial Development Corporation of Maharashtra (CIDCO).[5] The survey shows the price of dwelling units on a sq. ft. basis (Refer Table 2). If the average cost of construction is deducted from this, we shall have a reasonable idea of the price of land, which also includes an element of the developer's profit.

Table 2

Areas surveyed	*Cost of dwelling per sq ft built-up area (in Rs.)*		*Land price per sq. ft. (Rs.)*	
	1972-73	1974-75	1972-73	1974-75
Chembur	51	82	11	32
Thana	50	76	10	26
Dombivili	47	58	7	8

Note: The FSI ranges between 1 to 1.33, and hence the unit cost of land calculated from the cost of built-up area will be at least the same as the unit cost of plot.

It is also reported that the cost of an apartment at Mahim and Worli (located in the old island city) ranges between Rs. 125 to Rs. 150 per sq. ft. Assuming the cost of construction in the present case to be Rs. 60 per sq. ft., the land-component, including the developer's margin, will range between Rs. 65 and Rs. 90 per sq. ft. The cost of a dwelling unit at Juhu, Andheri and Borivli to the north in Greater Bombay varies between Rs. 75 and Rs. 90 per sq. ft., with the land component varying between Rs. 30 and Rs. 40 per sq. ft.

5. *A Survey of Real Estate*, an internal Study by CIDCO, 1974-75.

The land prices, as indicated in the preceding analysis, project a land-cost gradient which reveals that land prices in the city centre fall gradually as one moves farther and farther towards the periphery. The statistical data bearing on land prices in Bombay has revealed rising land values. This phenomenon is also observed in similar urban agglomerations in the country.

Assuming, then, that an average household needs about 300 sq. ft. of built-up area, the estimated land cost at Rs 30 sq. ft. will be Rs. 9,000 and the cost of construction at Rs 45 sq. ft. [this is the estimated cost of G+1 (ground plus one) structure with concrete block walls and RCC slab in Bombay][6] will work out to Rs. 13,500. The total cost of a conventional tenement for a mere 300 sq. ft. of built-up area will thus work out to Rs. 22,500 in Greater Bombay, the land component being 40 per cent. In fact, the speculation in land has been the biggest single factor in the high cost of private buildings, particularly in metropolitan areas. The cost of a tenement has invariably to be expressed in terms of household income. The socio-economic survey conducted in Greater Bombay by Prof. P. C. Mohanty in 1971 revealed that 56 per cent of the households earned less than Rs. 350 a month, while nearly four-fifths of the households earned less than Rs. 600 per month.[7] The percentage of households in the lower-income group is thus overwhelmingly high. The capacity of this group to pay for organised shelter is strictly limited; for in these days of high prices, an increasing proportion of household income is spent on food and other wage-goods, food alone accounting for about 66 per cent of the income.[8] Thus, if the total cost of a house works out to Rs. 22,500, the monthly instalment, even at 5 per cent rate of interest repayable over 20 years—the rate now charged

6. *High-Rise Buildings*—an internal note prepared by BMRDA, 1976.

7. *A Study of Demographic Aspects of Households in Greater Bombay* by P. C. Mohanty.

8. *Consumer Behaviour and Marketing Structure* (a Study of South Delhi Households) by the Town and Country Planning Organisation, New Delhi, 1972.

by HUDCO for EWS (Economically Weaker Sections) and LIG schemes and which is also the cheapest available rate in the country—will work out to Rs. 150 per month. Adding the service charge of Rs. 18 per month, the monthly outgoing will work out to Rs. 168, or 28 per cent of the monthly income. It thus appears that a conventional housing unit is beyond the reach of a vast majority of the urban population. It is therefore obvious that a local authority cannot acquire house sites at prevailing market rates, for it has also to commit heavy funds for the development of social and physical infrastructure facilities.

New Hope

Since a vast majority of the low-income households are kept out of the organised housing market, most of them gravitate to the already existing slum areas for shelter, giving rise to widespread slums and squatter settlements, unhygienic living conditions and over-congestion, and complicating the problem of organising land uses and public services. It has been estimated that nearly a third to one-fourth of the total population in large agglomerations lives in slums or slum-like conditions. Since the private sector cannot provide organised shelter for this section of the population, the social control of land, which has now been acquired, will provide new opportunities for dynamic experiments in the field of low-cost housing and "site and services" programmes for slum-dwellers and other LIG people. Central assistance for slum clearance and improvement schemes, which has been available since 1956, will help finance these programmes following the social ownership of land, and such services as water, power and sanitation can now be provided to enable the low-income groups to build simple and inexpensive houses, which can be improved and enlarged in the course of time in obedience to their needs. State ownership of land in urban areas will also assist in the expansion of the social services made available by public bodies and trusts—services which were not available before to the required extent because of runaway land prices.

Private ownership of many fragmented land parcels in city centres causes each land developer to ignore the long-run social costs of growth which, characteristically, push the MIG (Middle-income Group) and LIG residential development farther and farther away, and more and more time and effort are required to travel from the periphery of development to the city centre and its facilities and amenities. They, therefore, thwart any major development proposal to relocate economic activities to new areas in order to relieve pressures on a single centre.

A noticeable feature is the tendency on the part of individuals and companies to buy up large land parcels far in excess of their anticipated requirements in fringe areas when prices are low.[9] This has the effect of pre-empting some of the potential tenants in such development areas. Government's Urban Land Ceiling Act provides an extraordinary opportunity to reverse these trends, shape and control the use of land in a metropolis, and facilitate the implementation of bold regional development policies.

A Revenue Device

Socialisation of surplus private land will put an end to the unearned increment in land values accruing to real estate owners and inhibit the profit-making activities of a few. The appreciation in land values will benefit the State and such bodies as are entrusted with public utility functions, urban renewal and social housing. The same logic applies to smaller cities, for unless the public authority retains and develops unused excess land in the city and its peripheral areas, it cannot hope to profit from the substantial land-value appreciations likely to occur because of the urban growth that is likely to take place in the future. The public authority can benefit from higher land prices at which land (particularly well-located land parcels) may be leased out to high-income groups and commercial users. This was a major considera-

9. *A Study of Industries in Trans-Thana Belt* by A. Bhattacharya, CIDCO, 1971 & 1974.

tion which prompted the enactment of the urban land ceiling law.

Exemptions

Exemptions under the Urban Land Ceiling Act have been granted in the case of Government land and land belonging to public corporations, Defence, scheduled banks and the Reserve Bank, financial institutions like the Industrial Finance Corporation (IFC), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Reconstruction Corporation of India (IRCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) and other financial institutions of the Central and State Governments, educational, cultural, technical or scientific institutions or approved clubs, charitable religious trusts, co-operative societies, whether land mortgage banks or housing co-operative societies, non-profit registered societies, foreign States, UN and other international organisations.

In addition, State Governments have been empowered to grant exemptions in specific cases, having regard to the location of land, the purpose for which such land is being used and such other relevant factors as the circumstances of the case may require. It can also grant exemption if the land is used for a public purpose and in cases where its application would cause undue hardship to the person or persons intending to construct dwelling units for the weaker sections of the community.

Rate of Compensation

For the purpose of paying compensation, the following methods have been prescribed:

(i) Where there is income from vacant land, the total compensation shall be equivalent to 8.33 times the annual net income from the land during the last 5 years. Net income will be taken at 60 per cent of the gross income received; and

(ii) Where no such income is received, the compensation will not exceed Rs. 10 per sq. metre in A and B categories of urban agglomerations and Rs. 5 per sq metre in C and D categories.

Other Provisions

Regulations bearing on the transfer of urban property have also been introduced. The land or building transferred by way of sale or mortgage or gift or lease or otherwise after 17th February 1976 shall be considered land held for the purpose of the implementation of the Act. The requirement of obtaining prior permission to transfer any urban property within the designated urban agglomerations will keep speculation under control. There is, moreover, a provision for the State to buy the property offered for sale by paying for it in accordance with land acquisition principles.

The Act covers many States of India and provides for an aggregation of holdings in urban agglomerations in the same State or in different States. In other words, persons holding vacant lands would have the choice to retain only one piece of vacant land by surrendering excess vacant land elsewhere. Thus persons are discouraged from holding more than one piece of land for dwelling purposes.

Reactions Against the Act

There is bound to be some kind of nervousness in the minds of those affected by the Act. They will resent any new measure that may curtail their right or clip their freedom to own property. But the measure was inevitable in view of the growing menace of speculation in land and the intolerable conditions in which the poor live in most urban areas.

A fear has been expressed that construction activity will receive a setback because of the Act. This fear is groundless, for there would be no adverse effect except on the construction of skyscrapers. Indeed, this will be a welcome change and will preserve the skyline of big cities and also reduce the pressure on a city's social services. The construc-

tion industry will increasingly have to go in for medium-rise and low-rise structures, as is done in Delhi. Beyond prescribing a limit for the plinth area, the Act does not prohibit construction work at all. This limit is obviously reasonable in the context of present-day conditions of scarcity of land and the inability of the majority of the people to have any protected shelter. The limitation on the plinth area, moreover, will make possible accommodation for a larger number of people in a given area of land. Again, because the Act may put an end to the role of the builder-developer, it is feared that MIG (middle-income group) housing will suffer a setback. But it should be remembered that the builder-developer system is not an ideal system, for it piled up enormous profits for itself and bred evil practices which have affected even the MIG group. The builder-developers in fact form an intermediary class in a free market and have no social conscience. However, to maintain the tempo of housing activity for this group (who may form co-operatives), financial institutions must come forward with loan finance on reasonable terms now that land has become somewhat cheaper for it following the implementation of the Land Ceiling Act

Fears have also been expressed that industrial and commercial enterprises may not get adequate land for development purposes. But these fears are largely unfounded. It has already been noted that State Governments have been empowered to grant exemptions in genuine cases where land will be put to economic use and for the betterment of society. In fact, the Urban Land Ceiling Act can be used as an instrument for regulating and canalising the location of industries and thus assist in the dispersal of economic activities.

Conclusion

The urban land ceiling measure is an integral part of the programme to bring about an orderly growth of urban areas and to achieve certain socio-economic objectives through social ownership of urban land. Its beneficial ef-

fects on urban economy are enormous, though these will largely depend on how efficiently the public-owned land is managed and put to different uses in accordance with a rational development plan aiming at decentralising economic activity and assisting in its dispersal from large metropolitan cities to smaller urban nuclei. In other words, the benefits of the Urban Land Ceiling Act will be optimised if measures are adopted to counter inter-urban economic imbalances in the interests of an overall growth of the national economy.

The fear that the Act may have an adverse effect on future construction activity has really no basis. There is no doubt at all that speculative and money-spinning activities of the private developer-builder will be curbed; so much the better for the health of the economy and for society. All genuine needs for land will no doubt be met. The advantages of socialisation are indeed great. In the first place, it will achieve a major breakthrough in the field of social housing and the clearance of slums. It will provide land for various public services, the inadequacy of which has been felt in most populous cities. The public authority can also mop up for its financial needs a reasonable share of gains from rising land values and thus find at least a part of the money required to finance the various urban facilities and housing for the urban poor.

SOCIO-ECONOMIC OFFENCES AND DETERRENT PUNISHMENT

M. R. DESHPANDE

The Prime Minister's emphasis on socio-economic requirements with a view to strengthening the economically weaker sections of the nation has naturally brought in its train a number of amendments to enactments aiming at correcting economic imbalances, making essential commodities available in reasonable quantities and at reasonable prices, and providing for deterrent punishment of socio-economic offences These enactments are:—

(i) The Essential Commodities Act;

(ii) The Prevention of Food Adulteration Act;

(iii) The Drug Control Act.

These socio-economic offences cover a whole range of essential goods—medicines, cosmetics, foodgrains, tea, coffee, edible oils, milk and milk products, and other eatables. The Consumers Council of India recently conducted a survey of such goods, which uncovered the wide-ranging field of operations of these socio-economic offenders.

According to the Consumers Council of India, the public is annually defrauded of not less than Rs. 10,000 crores by way of adulteration. Apart from this tremendous economic loss to the public, adulteration poses a serious threat to the health and well-being of the people. Many persons have died as a result of the operations of adulterators and unscrupulous traders. In 1973 alone, 683 persons died of

SHRI M. R. DESHPANDE is Joint Judge and Additional Sessions Judge, Nagpur.

food adulteration. Almost all items of food are tampered with by adulterators. Indeed, there was an alarming increase in the incidence of this particular kind of offence, the average incidence in the country rising from 18 per cent to 31 per cent.[1]

The first Act to deal with this class of economic offenders was enacted in 1954, which was amended in 1964, raising the minimum punishment to six months' imprisonment and a fine of Rs. 1,000. The implementation of the Act was, however, considerably neglected. (This is no longer so.)

To plug certain loopholes in it, the Prevention of Food Adulteration (Amendment) Bill, 1974, was introduced in the Rajya Sabha. It was referred to a Joint Select Committee of Parliament and has since been enacted into law, having come into force from 1st April, 1976.

Like food adulteration, the manufacture of sub-standard and spurious drugs also posed a serious threat to the health and well-being of the nation. On an average, about 18 per cent of the drugs tested are found to be sub-standard.[2] Since the declaration of emergency, measures to control the manufacture and marketing of sub-standard and spurious drugs have been tightened and action against offenders have been taken.

Enormous Loss

Among unfair trade practices, the most blatant is the use of faulty weights and measures. A study by the Weights and Measures Organisation of the Government of India reveals that, on the basis of a five per cent short weight or measure, the loss to the consumer was of the order of Rs. 7,000 crores at 1971 prices.[3] In terms of current prices, this loss has become staggering.

As a result of short weights, not only the consumer suffers, but Central and State Governments, corporations

1. Press release by the Press Information Bureau, Ministry of Information & Broadcasting.

2. *Ibid.*

3. *Ibid.*

and municipalities as well, which collect such duties as customs, excise, sales tax, octroi and some types of royalty. These bodies, too, suffer a sizable loss owing to faulty weights and measures. Naturally, therefore, there was a general outcry that the punishment of those who tamper with the purity of essential consumer goods should be deterrent, if not savage.

To begin with, Government has directed that every packaged commodity must bear, among other things, information regarding its net weight. Cases of underweight can now be reported to the nearest enforcement agency, which deals with them under the Defence of India Rules. A number of persons have already been prosecuted under this legislation.

Great Harm

For let us not lose sight of the fact that these socio-economic offenders do greater harm to the nation's health than hardened criminals do. Therefore, they do not deserve any consideration, and should be given no quarter. This view has been expressed by High Courts and even by the Supreme Court in the many important decisions handed down by them. The Law Commission of India, too, asserts that these socio-economic offenders are essentially enemies of society, and therefore must be dealt with firmly and severely. "There is," it says, "need to put down these offences with a stern hand by imposing deterrent punishment on the offender." In Chapter III of its Report, the Law Commission, *inter alia*, states:—

> "Our country is in the grip of an economic crisis, and the fruits of a hard-won freedom may be lost if the foundation is not laid for economic stability. Serious harm to the health of society is caused by such offenders, and these offences are designed and planned and executed in secrecy by shrewd and dexterous persons with sophisticated means, thereby gravely affecting public welfare. By their nefarious designs to commit such offences, they severely affect the health and

wealth of the entire community and, therefore, such offenders are required to be put down with a heavy hand."

We are currently going through a process of gigantic social changes and a period of economic planning. The vastness of the country, its history of poverty under alien rule, and the necessity of establishing a Welfare State as quickly as possible by eliminating poverty, under-nourishment and exploitation—these provide the imperatives which call for the necessity of equipping law-enforcement agencies with an armoury of weapons which will enable them to give effective battle to socio-economic offenders. As the damage caused by them is incalculable, the punishment to be meted out to them should be commensurate with the enormity of their offences.

For let us not forget the fact that the crimes of this category of offenders are more serious than the crimes of theft, burglary, cheating, fraud—as serious almost as the crime of murder—for many of their offences have resulted in the death of innocent persons. The crimes of socio-economic offenders may not result in direct or immediate injury, but they are far more harmful in the long run, for they impair the health of the nation and bring incalculable loss to the national exchequer.

This is the crux of the problem. Legislation applicable to such offences will therefore necessarily differ from the legislation applicable to ordinary crimes. The traditional requirement of *mens rea* should not be accounted as an essential factor in the proof against such offenders. There is every justification for making laws against them sufficiently stringent, and providing that where a *prima facie* case has been made out, the burden of proof should be shifted to those charged with socio-economic offences.

With a view to deterring others from committing similar offences, the provision of maximum rigorous imprisonment should be made mandatory so that judges, who are often impelled by misplaced sympathy for these offenders, do not make the stringency of the laws almost

ineffective. There is no denying the fact that effective deterrent punishment of such offenders will discourage others from the commission of similar offences. This does not mean that the discretion of the trial judge should be unnecessarily restricted. At the same time, it should be ensured that a light punishment is not invariably meted out to socio-economic offenders, for that will encourage others to break similar laws

The magistracy generally holds the view that socio-economic crimes are more or less technical offences and do not call for deterrent punishment in a number of cases. Even where the minimum sentence of six months' imprisonment and a fine of Rs 1,000 is provided for the first offence, the punishment actually imposed is imprisonment till the rising of the court together with some amount of fine—and this, too, without assigning any adequate or special reasons impelling the judge to award a sentence which is less than the minimum provided by law. Such a light sentence amounts almost to a gross miscarriage of justice, and measures should be taken to ensure that such miscarriages do not recur, particularly because they amount almost to a mockery of the law.

General Tendency

From my personal experience, I have noticed that there is a general tendency amongst the magistracy to impose a very mild punishment on the following grounds:

(i) That the accused's offence is a first offence;

(ii) That the accused has already received severe departmental punishment;

(iii) That the accused is a young man of about 22 years to 25 years; or

(iv) That the accused's offence was that he was merely a carrier of goods.

In my view, none of these grounds is sufficient for awarding a punishment that is less than the minimum provided by law. As a matter of fact, the reasons for mild

punishment outlined above often impel the same persons, as well as encourage others, to indulge in similar offences over and over again, thus creating a poisonous spring of habitual misconduct. Leniency in such cases does not result in the reform of the accused, nor does it persuade him to desist from similar offences in future. Rather, it encourages him to widen the field of his operations with a view to making a fortune out of widespread social distress.

It may be pointed out here that the very essence of criminal prosecution is to award deterrent punishment when the accused is held to be guilty beyond all reasonable doubt. To desist from this, on the ground that the offender is a youngster, is to make nonsense of the law. Indeed, if a particular offence falls within the ambit of the Probation of Offenders Act, 1958, the benefit of its provisions may be extended to the accused. Obviously, the youth of the accused cannot, in any circumstances, be accounted as a mitigating factor which calls for the award of a punishment which is less than the minimum laid down by law.

Similarly, to assert that an offender is merely a carrier of incriminating goods does not create any conditions which mitigate the gravity of the offence. The carrier is fully aware of the risk involved in becoming a carrier of incriminating goods.

Need for a Hard Line

It is therefore imperative that a hard line should be taken by judges when they are called upon to pronounce sentence on any socio-economic offender. The only factors which should weigh with the judge are: Is the offence serious? Does it involve danger to public health? Does it involve a substantial financial loss to Government and quasi-Government agencies? Should, for example, a mild punishment be awarded to those who were involved in the manufacture and sale of illicit liquor, the use of which recently resulted in the death of more than 105 persons in Indore and its environs? How are these persons less criminally liable than a murderer, who also kills for profit? If the murderer is to be hanged or, at the least, imprisoned for life, why should

not the manufacturer and seller of death-dealing liquor suffer a similar penalty? However, if the harm caused by the offender is nominal, the provisions for minimum punishment may not be binding on the trial judge, provided that, while awarding a punishment which is less than the minimum provided by law, he assigns adequate reasons for his judgement. This point is very clearly brought out in Section 7(2B) of the Essential Commodities Act, which says:

> "For the purposes of sub-sections (1), (2) and (2A), the fact that an offence under sub-clause (ii) of clause (a) of sub-section (1) or under sub-section (2) has caused no substantial harm to the general public or to any individual, shall be an adequate and special reason for awarding a sentence of imprisonment for a term of less than three months or six months, as the case may be."

It would be obvious from this that, in matters of punishment, the socio-economic nature of the offence often calls for a socio-economic approach. The law should not, and must not, be used as an instrument of vengeance by society. Rather, it should be tempered with reason, and even with mercy, where mercy is called for in the special circumstances of a case. But this does not mean that deterrent punishment should not be imposed when the circumstances of a case call for it.

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SPECIAL SURVEY SQUADS TO PREVENT TAX-EVASION

V. RAMASWAMI IYER

On the attainment of independence in August 1947, India's political freedom became a fact. However, political freedom without economic betterment had no meaning for the teeming millions of India who had been steeped in centuries-old poverty. The establishment of a Welfare State and a socialistic pattern of society became imperative national goals. These concepts were enshrined in Article 38 of the Constitution as one of the directive principles of State policy whereby the State was charged with the responsibility to ensure, amongst other things, that the ownership and control of the material resources of the community were so distributed as best to subserve the common good and that the operation of the economic system did not result in the concentration of wealth and means of production to the common detriment. The Government of India chalked out a programme for planned economic development and went in for mobilisation of internal resources through direct and indirect taxation on a scale hitherto unprecedented. The tax revenues of the Government rose sharply from year to year. Side by side, on account of lack of commitment on the part of a few to the national goals of economic growth and distributive justice, the problem of tax-evasion started raising its ugly head and soon reached menacing proportions

SHRI V. RAMASWAMI IYER is Commissioner of Income-Tax, BOMBAY CITY-I, Bombay.

Consequences of Tax-Evasion

Tax-evasion is common to both developed and underdeveloped economies. In a developing economy, it brings in its train resources constraint and compels the Government to resort to deficit financing. It casts an unjust burden on honest tax-payers. The social schemes of housing, medical services, educational facilities and other schemes for the welfare of the economically weaker sections are starved because of lack of funds. Tax-evaded income manifests itself in the vulgar display of wealth and conspicuous consumption and ostentatious living and lavish expenditure on festivals and ceremonies. It has also been found to be associated with illegal purchases of quotas, licences, outlays on secret commissions, call deposits, bogus *hundi* loans, purchase of jewellery, diamonds, luxury items and gold, unauthorised transactions in foreign exchange and immovable properties in real or benami names.

Immovable property as an avenue for tax-evaded income enjoys immense popularity with the black money operators. In metropolitan cities like Bombay, Delhi, Madras and Calcutta, it became well-nigh impossible to purchase land and building without giving a part of the consideration in black (*i.e.*, payments or receipts of money which are not recorded anywhere). Thus, the purchaser was able to conceal his black-money income and the seller evaded taxes on capital gains. In order to combat the problems arising out of undervaluation of assets and understatement of consideration, the Government set up Valuation Cells in large urban centres in 1969. In 1972, the direct tax laws were amended to provide for statutory valuations and compulsory acquisition of properties where sale consideration had been understated.

Special Survey Squads

As a complementary measure and with a view to intensifying the drive against tax-evaders, the Centre ordered the setting-up of special survey squads to detect unaccounted investments in buildings and flats in posh loca-

lities and to check money spent on lavish and ostentatious living. Accordingly, special survey squads were constituted in the cities of Bombay, Calcutta, Madras, Delhi, Poona, Ahmedabad, Hyderabad, Bangalore, Jaipur, Kanpur and Nagpur. The personnel of the survey squads are drawn from the Income-Tax Department and the Central Public Works Department. They comprise an Income-Tax Officer, two Income-Tax Inspectors and an Executive Engineer from the CPWD. The Executive Engineer is assisted by an Assistant Engineer and a Junior Engineer. A substantial number of premises were surveyed during the period July/September, 1975.

The property survey operations were taken up once again in July 1976. The commencement of property survey operations was announced in advance by the Income-Tax authorities in the newspapers and a specific mention was made to the effect that the Income-Tax officials visiting the premises for survey work are required to carry their identity cards with them and that persons whose houses are visited may ask for the production of identity cards before the Income-Tax officials are allowed entry inside the house. The survey squads are under strict instructions to ensure that the privacy of the persons whose houses are visited, and particularly the privacy of ladies, should be duly respected. If no male member of the family is available at the time of survey, usually the survey is postponed to a date when the male member of the family is available. The survey squads give advance notice to flat-owners or owners of independent houses about the date and time of survey. The houses of U.N. personnel and others who enjoy diplomatic immunity are exempted from survey. The survey squads, during the operations, concern themselves mainly with the valuation of costly movable items, flat or building, additions and alterations made therein and luxury furniture and fixtures. They are charged with the task of determining the unaccounted investment made by flat-owners or owners of independent houses and unaccounted sales

in the case of builders. Cases involving resales are also looked into for assessment of unaccounted investment and undisclosed capital gains by previous owners. The total unaccounted sales in the hands of the builders are also estimated. Unaccounted investment in costly movable items is calculated by the survey squads and a consolidated statement of unaccounted investment is sent to the assessing officers of the builders/flat-owners and the sellers of the various flats and bungalows so as to enable them to carry out a review of the assessments already made or to take into account the material discovered by the survey squads before finalisation of pending assessments. We found last year that operations of the special survey squads were instrumental in creating an environment in which black money deals could not be entered into by the parties with impunity. It created fear of the law in the minds of property-owners and the estate-broking community. It brought home to them that they could not have any peace of mind till they surrendered their ill-gotten gains and made a clean breast of them As a result, a large number of tax-payers availed themselves of the Voluntary Disclosure Scheme

The significance of the special survey squads lies in the fact that they symbolise the mighty and vigilant response of a Government determined to stamp out the evils of black money and tax-evasion. Special survey squads, by the nature of their work, have become a powerful weapon in the hands of the tax administration as they expose the tax-evaders and black-money operators and their nefarious activities. Whereas such exposure and detection on the one hand acts as a strong deterrent to potential tax-evaders, on the other hand, it tends to cure the exposed tax-evaders of their aberrations and bring them back to the path of rectitude and civic responsibility. They also cripple the black-money economy and directly enhance the resources available for economic development and for the welfare of the economically weaker sections.. In turn, they generate civic consciousness and help in the creation of a responsible citizenry. The special survey squads, which occupy an

important place in the Twenty-Point Programme announced by our Prime Minister, are bound to contribute substantially to our progress in the direction of a Welfare State, thus making Jawaharlal Nehru's "tryst with destiny" a living reality

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TAX-EVASION, SMUGGLING AND BLACK MONEY

M. A. GIDWANI

Before the declaration of emergency, a new class of criminals had emerged as a monstrous and malignant growth in the national economy. With the enormous power of the black money they had acquired through large-scale tax-evasion and smuggling, they pulled the strings, and their puppets danced to their tune in the construction industry, in business houses, industries, motion pictures and share markets. They acted as if they were the new lords of creation—rulers of a Mafia-type empire in which their writ alone prevailed.

What is Black Money?

The term "black money" is generally used to denote concealed income and/or undisclosed wealth. Many, however, are of the opinion that this is far too narrow a definition of black money, for it is not only unaccounted currency which is hoarded or is in circulation in undisclosed channels of trade but also money that is invested in gold, jewellery and precious stones, and even money that is invested in flats, hotels, buildings and business assets over and above the amounts shown in books of accounts. As a result of the operations of black money in the national economy, we have a curious set-up; there is the "official" economy functioning on the basis of the formal and legal monetary system, involving transactions openly financed

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Prof. M. A. Gidwani is Professor-in-charge, Arts Faculty, Jai Hind College & Basantsing Institute of Science, Bombay.

through identifiable sources of funds, generating ascertainable income and wealth and operating in conformity with normal, legal practices. But there is another economy, which has come to be known as a "parallel economy", operating simultaneously with the "official" economy but in a clandestine manner, and competing with it, deriving its nourishment, strength and support from the secretive, defiant, anti-social and unscrupulous elements in our society and engaging in a complex range of undisclosed deals and transactions pushed through in an atmosphere of the utmost secrecy.

With independence and the need for rapid economic development came a tremendous surge for planned expenditure, defence programmes, large Government orders, massive industrial outlays and enormous sums earmarked for agriculture, education and health and other social services, and investments in the construction industry—all combining to create a boom psychology; and this tremendous surge, aimed at raising the nation literally by its bootstraps from the economic morass in which it was floundering, gave a tremendous thrust to illegal cut-backs, commissions, under-the-table payments and transactions. Prices soared. Every effort of the Government to contain them was negatived by counter-action on the part of tax-dodgers, blackmarketeers and smugglers. Grain stocks were cornered to accentuate the psychology of shortages. The cost of land and buildings, too, took a steep upward curve, bringing in its train new rackets. Property dealings became a second avenue of "black" deals. In this manner, black money multiplied; and as it rose to enormous proportions, its area of operations was widened to generate shortages over a whole new spectrum of goods and services.

Effects of Black Money

The effects of black money on the economy were disastrous and struck at the root of the equity concept of taxation. The salaried lower middle class and the middle class taxpayers paid their taxes, direct and indirect, and tightened the belt, while the tax-dodgers, blackmarketeers

and smugglers continued to operate in a clandestine market, generating inflationary pressures, shortages and runaway prices, and piling up vast fortunes for themselves.

How terrifying are the proportions assumed by the operations of black money may be gauged from the enormous drain they have proved to be on the national exchequer. In his *Indian Tax Reform—Report of a Survey*, Nicholas Kaldor estimated that in 1953-54 alone, tax-evasion was of the order of Rs. 200 crores to Rs. 300 crores.[1] It has been estimated by competent authorities that between 1961-62 and 1974-75, income on which tax has been evaded cannot be less than Rs. 10,000 crores and that, therefore, the loss to the national exchequer during this period has been of the order of not less than Rs. 4,000 crores. This is the measure of the loss which the nation has suffered over the years, apart from the enormous suffering it has had to put up with because of the clandestine operations of a small band of modern-day robber barons, looting the people and looting the national exchequer.

Causes

How are these marauders to be liquidated? Obviously, no remedial measures can be suggested until the causes of these wasting economic diseases are properly and fully diagnosed. These causes are many and varied. There has been the cause of a very high rate of taxation under the direct tax laws, which impelled people to dodge taxes by recourse to legal loopholes, if possible, and by illegal and criminal methods, if necessary. This cause, however, has now been largely eliminated. The rates of direct taxes have been considerably scaled down, as a result of which there has been a spurt in national revenues.

The economy of shortages and consequent controls and licences which emerged during the Second World War was considerably affected for the worse in the post-independence period. Urgent and pressing needs of the War

1. Report of the Direct Taxes Enquiry Committee, 1971.

necessarily called for a regulation of distribution and prices. With independence and an ever-increasing population, it became imperative for Government to devise the system of permits, controls, licences and quotas with a view to regulating trade, conserving precious foreign exchange for the import of capital-intensive goods, protecting the nascent indigenous industry and ensuring that essential commodities were made available to the common man at reasonable prices. Despite Government's vigilance, however, controls and regulations came to be used by the unscrupulous to amass illegal fortunes. This was made possible to some extent by those who administered controls, for a great deal of discretionary power was vested in them which they invariably exercised in favour of the unscrupulous, who gave them "speed money" for expediting the issue of permits and licences, and "hush money" for turning a blind eye to their violations of controls and regulations. This, in turn, gave rise to illegal trading in permits, quotas and licences which, too, generated sizable amounts of black money through the payment of secret commissions, bribes and "on-money" in a variety of situations. Manufacturers of popular goods that were in short supply exacted large sums from parties that wanted to be appointed selling agents and even demanded recurring secret commissions on the sale of goods.

Another contributory cause, according to the final report of the Direct Taxes Enquiry Committee, 1971, was stated to be the high rates of Central and State imposts which, added to the high rates of income-tax, impelled many persons to avoid recording transactions which attracted excise duty, sales tax, stamp duty, octroi, cess and the like. Many traders indulged in this kind of evasion because evasion of one tax offered them relief from another. This evasion is still found attractive by a large number of traders. Steps, however, have been taken through advertisements and talks on the radio and television to bring home to the people the inequitous and nationally disadvantageous practice of dodging taxes that are reasonably imposed with a view

to generating enough revenues to finance the many nation-building projects that still lie ahead.

Again, a number of consumer goods industries "doctor" their books of accounts to show a shortfall in production and plough the difference between this shortfall and the actual production into the blackmarket through the back door, thus evading excise duty, sales tax and income-tax—all at once.

Another cause of the large-scale practice of tax-evasion was the lack of effective tax-enforcement machinery, which has now been streamlined and made more effective. The Presidential Proclamation, which ushered in the national emergency in June 1975, and the widespread use of MISA (Maintenance of Internal Security Act) against anti-social elements drawn from all walks of life, have created a healthy atmosphere, with the result that State and Central revenues have registered a substantial increase.

With the mounting pressure on housing following the accelerated pace of industrialisation, the system of ownership flats became very popular in urban areas; and since the demand for housing far outstripped its availability, flats acquired on ownership basis often changed hands on receipt of "on-money", which was never shown in the tax returns of the recipients of this "on-money". As a result, the nation lost the capital gains tax it was entitled to on the sale of such flats, and the "on-money" joined the mainstream of black money to exercise further pressure on prices.

Decline in Moral Standards

The causes of black money outlined above have been reinforced by a large-scale deterioration in moral standards which, in its turn, has given fresh impetus to the activities of anti-social elements. The lack of tax-consciousness and the absence of any social stigma against tax-evaders, smugglers and blackmarketeers have made the problem more complex and more difficult of solution. In the past decade or so, there has been a marked tendency on the part of

some to attach greater value to material benefits and advantages than to integrity and reasonable moral standards. As a matter of fact, the smuggler, the tax-dodger and the black-marketeer have come to be looked upon as smart men who have successfully exercised their wits and their ingenuity against law-enforcement agencies and got away with their criminal acts. Even when such persons have been arrested and jailed, no social stigma has attached to them. They are wooed socially, and made much of. In this reversal of moral standards in a world which seemed to have gone topsy-turvy, more and more persons were tempted to violations of the law, for the taste of easy money was a kind of heady wine which weakened their moral and social fibre, and gave them a sense of power—the power which money has over the minds and hearts of those who do not have enough or who would like to have more than they have worked and sweated for.

Remedial Action

It may be pointed out here that the three-fold problem —tax-evasion, black money and smuggling—has been with us since the Second World War. Was no remedial action taken at all to eliminate these anti-social elements? If we go back into the history of preventive and punitive measures initiated by Government from time to time to destroy this canker from the body politic, we find that, apart from some half-hearted measures initiated during the British rule in India, Government, in the post-independence period, has been very much alive to the implications of this evil. Penalties have been made progressively stiffer, and deterrent provisions for criminal prosecutions have been introduced. Administrative powers for obtaining the necessary information bearing on the activities of tax-dodgers and black-money operators have been enlarged over the years, including the powers of search and seizure, and also of spot survey. These collective measures, however, good though they were, did not put an end to the operations of these anti-social elements.

Government, therefore, set up the Wanchoo Committee which, in its final report published in 1971, recommended that the power of search, to be meaningful, must be backed by a far better intelligence system than was in operation at that time, that tax rates should be reduced to make tax-evasion less profitable; that a committee of experts be appointed to enquire into the utility and worthwhileness of all controls, permits, licences and quotas and suggest such changes as would ensure that only those controls are continued which are absolutely essential for the health of the economy; that entertainment expenditure incurred for the furtherance of the taxpayer's business and directly related to its active conduct be allowed as deductible expenses; and that a vigorous prosecution policy be initiated and pursued with a view to instilling a healthy fear of the law in tax-evaders and operators of black money.

These recommendations were productive of some results; but illegal transactions, and therefore black money, continued to grow. Tax-evaders devised even more ingenious means of looting the national exchequer. Matters came to such a pass that the whole economy of the nation was in jeopardy. It was at this time that MISA was amended, the national emergency declared, and concerted action taken over a wide field to inmobilise anti-social elements.

Drastic Steps

A number of drastic steps have been taken after the declaration of the emergency with a view to curbing to the irreducible minimum the activities of tax-evaders. A comprehensive Bill was passed by the Lok Sabha on 28 July 1975, amending several direct taxation measures. These amendments to the Income-Tax Act, the Wealth Tax Act, the Gift Tax and Companies Profits Surtax Acts were all intended to plug the loopholes through which Government's legitimate share of tax trickled into the pockets of tax-dodgers. These loopholes were generally taken advantage of by religious and charitable trusts and by those who diverted income and wealth to members of the same family. The Taxation Law Amendment Act, which came into force

from 1st October 1975, gives wide and extensive powers of seizure to income-tax officials and provides for severe penalties for black-money operators as well as for those who conceal income. For example, the minimum and maximum penalties for concealment of income will now be equal to and twice the amount of the tax sought to be evaded. The minimum penalty for Wealth Tax will be five times the amount of the tax evaded.

Wilful attempts to evade tax and avoid its payment have now been added to the list of tax-evaded offences which now attract prosecution The amended law provides the penalty of rigorous imprisonment for a maximum period of seven years and a minimum of three months in addition to fine, depending on the tax loss sought to be caused to the exchequer.

Those engaged in the legal, medical, engineering and architectural professions or accountancy, technical consultancy or interior decoration are now required to maintain accounts irrespective of their income.

From April to December 1974, the number of cases in which search and seizure operations were carried out all over the country was 1,615, resulting in the seizure of assets valued at Rs. 13.65 crores against 538 cases of seizure of assets worth Rs. 4.40 crores during the whole period of 1973-74. These raids have since been rigorously stepped up, and assets of larger value have been seized. The figures for searches and seizures during April-July 1974 and 1975 tell their own story:

	No. of searches and seizures	*Value of assets seized (Rs. lakhs)*
April-July 1974	220	251
April-July 1975	515	829

Special squads for the detection of unaccounted investment in real estate were appointed in Bombay, Calcutta, Madras, Delhi, Pune, Ahmedabad, Hyderabad, Kanpur, Bangalore, Jaipur and Nagpur. The estimated undisclosed investment/under-valuation of properties valued up to the

end of June 1976 is over Rs. 17 crores. A special cell has also been constituted at the Central level to inquire into the cases of some of the large business houses, as also to co-ordinate investigation into the cases of known smugglers and their associates.

Final Attempt

In a final attempt to persuade tax-evaders to show voluntarily some measure of decency and integrity, Government announced a new scheme on 1st October 1975, under which voluntary disclosure of black money upto 31st December 1975 would not attract any penalty. This scheme was made applicable to three categories:

(i) Income for which a person had failed to file a return under the Income-Tax Act,

(ii) Income which a person had failed to disclose in a return of income filed before 8th October, 1975; and

(iii) Income which had escaped assessment made by the Income-Tax Department.

These amounts were treated as a separate block and were charged income-tax at the following rates:

Slab	*Rate*
Upto Rs. 25,000	25 per cent
Rs. 25,000 to Rs. 50,000	Rs 6,250 plus 40 per cent of the excess over Rs. 25,000
Rs. 50,000 and over	Rs. 16,250 plus 60 per cent of the excess over Rs. 50,000

In the case of companies, the rate was a uniform 60 per cent. The concerned person was also required to invest 5 per cent of undisclosed income in notified Government securities.

The benefits of this scheme, however, which revealed concealed income of more than Rs. 1,500 crores, were not available to smugglers and foreign exchange racketeers in detention, or those against whom detention orders had been issued.

The drive against tax-evasion was intensified. More than 2,600 operations were mounted, resulting in seizures

valued at over Rs. 21.35 crores. As a result of survey operations, about 83,000 notices of assessment/re-assessment of income were issued during 1975-76. More than 1.47 lakh voluntary returns were received from new assessments. The collection of direct taxes also registered a remarkable increase:

	Collection of Direct taxes	*Increase over the preceding year*	*Percentage increase*
1-7-1974 to 31-5-1976	Rs. 1,540 crores	Rs 250 crores	—
1-7-1975 to 31-5-1975	Rs. 2,088 crores	Rs. 549 crores	35 6

All these measures have had a salutary effect, for they have cured a section of society of its aberrations and brought it back to a sense of civic responsibility. At the same time, they have acted as a strong deterrent to potential tax-evaders, and have ensured a reasonably uninterrupted flow of income-tax into the national exchequer.

But it is not only this section of anti-social elements that has been contained. Measures have also been initiated to draw the teeth of the smugglers and strip them of the glamour and the power they had enjoyed before the emergency. In the troubled climate generated by mounting inflationary pressures, there were shortages of certain imported consumer durables. These shortages, coupled with the fact that the indigenous industry had not yet developed to the extent that would enable it to compete successfully with similar imported goods (coupled also with the fact that vast stretches of our coastline were unpoliced and unprotected), gave them the opening they needed to embark upon large-scale smuggling operations. The traditional Indian passion for gold and jewellery and the craze for foreign goods in a section of society which had gone money-mad, a section whose deep-rooted inferiority had catapulted it into the belief that everything foreign was of first class workmanship and everything Indian was shoddy—these factors, too, created a climate in which the smuggler could operate with enormous profit to himself and enormous loss to the nation.

The smuggler, however, did not confine himself to smuggling such consumer durables into India as woollens, man-made fibre fabrics, TV sets, transistors, electronic calculators and similar other appliances and wrist watches. He also engaged in secretly shipping out of this country exquisite sculptures in stone and bronze as well as beautiful paintings and images of Shiva and Nataraja. In some cases, he had famous works of art fabricated locally and shipped out as genuine antiques in order to earn the foreign exchange he required to finance his smuggling operations. Following the oil crisis, he smuggled out of the country such essential commodities as wheat, rice and edible oils, the beneficiaries being the oil-rich sheikhdoms. And he was assisted in these activities by those who bought the goods he smuggled into the country, by those who believed that the exchange of essential commodities for inconsequential luxuries like lipsticks and nylon should be encouraged and supported.

Thus emerged a new class of socio-economic offenders, who evaded customs duty, import restrictions, foreign exchange regulations, income-tax, sales tax, excise duty and wealth tax. The concealment of transactions and the resultant income therefrom led to the creation of enormous amounts of black money, which was utilised by these anti-social elements to finance further smuggling operations, blackmarket deals and speculative hoarding. Black money was also invested in land and buildings with a view to boosting up their prices to such an extent that an ordinary middle class man cannot now buy or rent a flat in a metropolitan area. The economic offences of which the smugglers were guilty are therefore inter-related and have had a direct and almost shattering impact on the economy of the country and of the nation's socio-economic structure as well.

Prosecutions Collapsed

The question has often been raised as to why Government allowed smugglers to acquire the enormous power of money to run a parallel economy to the detriment of the well-being of the nation. The fact is that Government was constrained to act within the limits of the laws of the land

and the rules of evidence which had to be followed when smugglers were placed in the dock; even these anti-social elements had to have the full benefits of the democratic process, which lays down that a person is deemed to be innocent till he is proven to be guilty. Moreover, smugglers showed considerable ingenuity in circumventing the provisions of the law.

Another reason why top smugglers escaped the net was that they generally operated behind the scenes, and it was only the small fry that were caught. Yet another, and perhaps the major, reason why action against them generally failed was that it was upto the prosecution to prove that they were guilty beyond a reasonable doubt. This was just not possible in the circumstances because of the enormous power of money wielded by the smugglers. Since reprisals were swift and total, no member of a smuggling gang dared to testify against another. Prosecutions floundered or collapsed altogether because witnesses were invariably bought over and turned hostile—or just vanished into thin air. Even when there seemed to be some *prima facie* evidence against them, the smugglers obtained bail and bought their way out of the net of the law.

Another factor in favour of the smugglers was the inadequacy of the intelligence and investigative staff. As a result, smuggling activities expanded. Pavements in big metropolitan areas were crowded with hawkers, displaying and selling smuggled goods openly.

It was in this climate of seeming weakness, of easy money, that the smuggler began to manipulate import and export values on an extensive scale; to buy up, through compensatory payments, foreign exchange from Indians resident abroad and from tourists at home; to finance his smuggling operations and, through deft manipulations of the market and of the national economy, generate inflationary pressures which deepened the distress that was already widespread. There was a sharp decline in national revenues, and a fall in the value of the rupee. The nation groaned.

The smuggler laughed, and raked in enormous profits for himself.

Final Assault

This just could not go on. Something had to happen. Someone had to crack the whip to bring this new class of ruthlessly powerful criminals to heel.

Something had to happen. Someone had to crack the whip to bring this new class of powerful criminals to heel.

And the whip did crack. Government amended the Maintenance of Internal Security Act through an ordinance with a view to restoring preventive detention and immobilising the smugglers and foreign exchange racketeers. Sukur Narain Bakhia, Rajabali Hirji Meghani, Nainmal Punjaji Shah, Kantilal Nauchand Shah, Champalal Punjaji Shah, Nathalal Rupasi Shah, Haji Mastan and others—the top smuggling brains of their Mafia-type empire—were detained. The ordinance was replaced in December 1974 by a self-contained legislation, namely, the Conservation of Foreign Exchange and Prevention of Smuggling Activities (COFEPOSA) Act. The Customs Act and the Foreign Exchange Regulation Act were also amended to make them more stringent in their operation. Despite these amendments and the COFEPOSA Act, however, the king-pins of the smuggling hierarchy managed to get themselves released through court action on technical grounds. In some cases, they even got anticipatory bail.

This appeared to put new heart in the smugglers. Their activities revived somewhat. In the meantime, emergency was declared, following which the COFEPOSA Act was amended with a view to making the grounds of detention separable It was provided that, in the event of one ground or some of the grounds for detention being considered non-maintainable, the whole order of detention would not be deemed to be invalid or void. Provision was also made to withhold grounds of detention in appropriate cases and also withhold reference of such cases to Advisory Boards during the period of the emergency. The detention of all these

smugglers, who had earlier been released by the courts on technical grounds, knocked the heart out of them, and resulted in the severing of the Indian link of the smuggling chain spread over large areas of the world. These fresh detentions, moreover, created a psychological climate of fear among the smugglers. The Presidential Ordinance of 5th November 1975, by which the Government had armed itself for a final assault on smugglers, provided for the forfeiture of illegally acquired property. This ordinance was replaced by an enactment under which Government acquired the power to attach the property of smugglers, their relatives, associates and even their *benami*-holders. According to the figures available upto the end of March 1976, the value of absconders' property attached is around one crore of rupees.

In order to keep a continuing check on smugglers and foreign exchange racketeers, three Competent Authorities were appointed on a regional basis at Delhi, Bombay and Madras to ensure effective implementation of the law. Preliminary scrutinies of the cases of various groups of detenus and their associates have resulted in the service of show-cause notices for confiscation of property in 256 cases under Section (1) (a) or Section (1) (b) or both of the COFEPOSA Act. According to a Press Information Bureau release on 15th August 1976, the aggregate value of the property covered by these notices is Rs. 9 crores.

TABLE 1

DETENTIONS UNDER COFEPOSA ACT AS ON 23-10-1976

1.	Total number of detention orders issued	2,904
2	Total number of persons in actual detention	2,227
3	Number of persons absconding/not detained	398
4	Number of persons out of 3 above against whom action has been taken under Section 7, COFEPOSA Act, 1974:	
	Section 7 (1) (a)	3
	Section 7 (1) (b)	31
	Both Section 7 (1) (a) and Section 7 (1) (b)	222
		256

Swift Strikes

Armed with the new powers, Government intensified its anti-smuggling efforts on all fronts. As a result, the total number of detention orders issued by 23rd October 1976 went up to 2,904, while the total number of absconders (not detained) climbed to 398. (See Table 1.) Vigorous steps have been taken to trace them and attach their properties.

Apart from these legislative measures which were calculated to curb the activities of the smugglers, shatter their morale and liquidate their major gangs, action was mounted against them to seize their goods wherever possible. As a result, big-time smugglers have been immobilised, though small disorganised operators are still active in a somewhat timid way because they are keenly aware of the enormous risks involved in their activities. At the same time, due to the greater risks involved, the cost of smuggling has gone up, pushing up the market price of smuggled goods and making them somewhat less attractive even for those who have a passion for foreign goods. Government's fiscal policies, too, have made smuggling somewhat unprofitable. This is evident from the fact that though the number of seizures has increased, the value of smuggled goods has come down considerably. (See Table 2.)

TABLE 2

STATEMENT SHOWING NUMBER OF SEIZURES AND VALUE OF SMUGGLED GOODS IN PRE-MISA AND POST-MISA PERIODS

	No. of seizures	*Value of goods seized (Lakhs of Rs.)*
1974 January to December	50,000*	6,000*
1975 January to December	65,000*	4,500*
1976 January to July	30,510	1,200*

* The figures are approximate.

The Table indicates that, in 1974 alone, goods worth about Rs. 66 crores were seized by the Customs authorities. Since these seizures account for something less than 10 per

cent of the total value of smuggled goods, it is apparent that, in that year alone, these were of the value of nearly Rs. 600 crores—a staggering figure indeed.

Administrative Measures

Besides detaining a great many top smugglers and stepping up the tempo of seizures, several administrative measures were initiated to deal a shattering body-blow to smuggling activities. For the first time, extra staff was deployed in some sensitive areas exclusively for preventive work. Preventive formations were re-organised in Bombay, Madras, Ahmedabad, Cochin and Madurai. A new Customs Collectorate was set up along the Indo-Nepal border. A comprehensive scheme for the establishment of mobile preventive coastguards on the west coast and the coast of Tamil Nadu has been introduced. Road-checking parties have been deployed at the points where feeder roads from the coast join the main roads.

The intelligence machinery has also been reinforced, re-organised and strengthened by the setting-up of zonal units of the Directorate of Revenue Intelligence at Bombay, Calcutta, Madras and Delhi. A unit has also been set up on the Indo-Nepal border.

Sophisticated Equipment

In order that the Customs organisation should have a definite edge over the smugglers, it has been equipped with modern and sophisticated equipment, including vessels, vehicles, arms and ammunition. Medium-sized fast patrol-craft from Norway, having a draft as low as 3 feet, have already been acquired. These craft are fitted with radar, night-sights, echo-sounders, and light machine guns. With the seizure of 122 smugglers' vessels between September 1974 and March 1976. the Customs authorities are in a position to give battle to these criminals even on the high seas, beyond national territorial waters. For this task, they will be further strengthened when a wireless communication network scheme, covering the west coast and the Tamil Nadu coast, shortly comes into operation.

An additional number of motor vehicles, revolvers, rifles, binoculars and passive night-sights have also been provided to field units with a view to stepping up their efficiency in detecting smuggling operations. Fluoroscopic inspection units, too, have been supplied to them. With a view to enlisting the co-operation of the public, cash awards are given to those who can give specific information about the detection and seizure of smuggled goods.

The Centre has enlisted the help of State Governments with a view to exterminating smuggling activities. Stress has been laid on co-ordination between the Enforcement Directorates of the States and the Central Agencies. The assistance of the States has also been sought in regard to detention orders and security measures in jails, so that formalities for the detention of smugglers may be completed expeditiously and those immobilised in prisons may be prevented from establishing any kind of contact with their associates outside.

Striking Benefits

As a result of all these punitive and preventive measures, smuggling activity has dwindled to a trickle. There has been a spurt in national revenues by way of higher accretions from a variety of imposts, including income-tax and corporate tax. As a result of curbs on the investment of black money in speculative hoarding of essential commodities, procurement from the 1975-76 crop touched an all-time high at 13.1 million tonnes against 8.2 million tonnes procured out of the 1974-75 crop. The enormous fall in unaccounted imports—that is, smuggled goods—has improved our balance of trade and balance of payments position, while there has been a spectacular rise in inward remittances. From Rs. 569.31 crores in 1974, these remittances from abroad through lawful channels rose steeply to Rs. 1,048.61 crores in 1975 and, by the middle of 1976, registered an increase of 250 per cent over the 1974 figure. As a result of all these factors, as well as the operation of international monetary factors, the rupee has picked up in value in the domestic

market, while the margin between the official and black money exchange rates has been considerably narrowed. In addition to these gains to the national economy, black money for manipulating stocks and prices and for speculative trading has become scarce; and the immoral, unsocial, drinking orgies in the former smuggling centres have become a bad memory of the past.

Smugglers Paralysed

Government's measures have thus paralysed smuggling activities and have had a somewhat stabilising influence on the domestic economy. While, therefore, there is every reason to rejoice, there is none to be complacent. Smuggling can be really and truly exterminated only if we refuse to buy smuggled goods, and go back to the slogan of *swadeshi* with which Gandhiji called us more than 50 years ago to fight for liberation from alien rule. We have every reason to be satisfied with the buoyancy that has now manifested itself in our economy, and with the foreign exchange reserves that have shown substantial accretions in the past two years. The incidence of taxation, particularly of direct taxes, has become noticeably less burdensome. A climate of confidence in the economy has been generated—a climate in which we are beginning to re-discover our soul, and beginning also to realise that there are values of life which are important and beyond price. This is the measure of Government's achievement following its repeated assaults on smugglers; we have been shown, in the most practicable way possible in the circumstances, that smuggling can, and shall, be destroyed, that it *is* being destroyed. We have also been literally pushed along the path of discipline, of rectitude, and given the necessary shot in the arm to enable us to flex our muscles, to show that a new vitality flows through our veins as individuals and as a people. More than anything else, we have been given the will and the sinews to build up, slowly and with hard, unremitting work, the fabric of the magnificent dreams we had dreamed when guns boomed out a thunderous salute to freedom. We are now rapidly moving forward to make a reality of those dreams.

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CONFISCATION OF ILL-GOTTEN GAINS

S. N. SASTRI

Smuggling and violation of foreign exchange control laws go hand in hand. It is by infringing the foreign exchange regulations that the smuggler accumulates the necessary funds abroad for the purchase of articles which he smuggles into the country for sale at fabulous profits. The proceeds of sale are then partly converted into foreign currency, again in violation of the same laws, and this money is used for making further purchases of articles abroad to be smuggled in. The process of accumulation of foreign currency abroad as well as that of conversion of rupees into foreign currency involves what are commonly known as "compensatory payments", which are forbidden by the foreign exchange laws of our country. An Indian employed in the United States of America wants to send money to his dependants in India. The proper course for him is to remit the money through a bank. At this stage, he is approached by a foreign exchange manipulator with the tempting offer of a higher rate for the dollar in terms of rupees than the official rate which he will get if he remits the money through legal channels. Many fall for this bait, perhaps without realising that thereby they are infringing a law of their country and depriving the Government of foreign exchange to that extent. They pay the money in dollars to the foreign exchange manipulator who sends a

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SHRI S. N. SASTRI is the Competent Authority under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976, at Bombay.

message to his agent in India to pay the equivalent in rupees (at the black market rate) to their dependants in India. The proceeds of sale in India of smuggled goods, which are in rupees, are utilised for making such compensatory payments, against which the smuggler gets dollars in the U.S.A. Apart from sapping the foreign exchange resources of the country, these activities have other serious deleterious effects on the economy. The smugglers spend their ill-gotten and easily earned money lavishly, thereby contributing in no small measure to an all-round increase in price levels.

Well-knit Organisation

Before the crackdown on smugglers and foreign exchange manipulators in 1974, these persons had built up well-knit organisations with hordes of agents, carriers, musclemen and other accomplices. They had acquired fleets of mechanised vessels fitted with the most modern wireless communication systems, trucks as well as cars of both Indian and foreign makes. They provided avenues of lucrative employment for anti-social elements who, emboldened by the patronage and backing of the smuggler gangs, terrorised law-abiding citizens in the locality. The latter could do nothing but turn a blind eye to the goings-on, lest they become targets of attack by the gangs on suspicion of having passed on information to the authorities. Sometimes these smuggler gangs lured the guileless, particularly among the very poor, into becoming their unwitting accomplices by offering rich rewards for what might appear to be minor and innocuous services. Once in their net, these persons had practically no chance of getting out alive. Their nefarious activities were one of the main causes for the growth of the parallel economy of black money which did incalculable harm to the country and made the cost of living prohibitive for the common man. They had acquired buildings and flats in the best localities in our cities, as also substantial interests in hotels, cinema houses and other trades and industries. They led a life of vulgar ostentation, parading their affluence and distorting all sense of values in the process.

Because of the clandestine and meticulously organised manner in which these activities were carried on, law-enforcement authorities found it extremely difficult to bring the main culprits to book. It was only against the carriers and other small fry that convictions could be obtained from courts. To get sufficient evidence to satisfy the courts of the complicity of the main persons, who always operated behind the scenes, was well-nigh impossible. Government therefore found that drastic measures were needed to root out this evil. The Maintenance of Internal Security Act was amended through an ordinance in September 1974, empowering Government to detain smugglers and foreign exchange manipulators. This was subsequently replaced by the Conservation of Foreign Exchange and Prevention of Smuggling Activities (COFEPOSA) Act, which came into force on the 19th of December 1974. Government detained many notorious smugglers and foreign exchange manipulators under this Act. Some of them, however, managed to secure orders of release from the courts on various technical grounds.

The declaration of emergency paved the way for effective action against these anti-social elements. After the announcement of the Twenty-Point Economic Programme by the Prime Minister, necessary legislative changes were effected and the loopholes in the law were plugged. Fresh detention orders were issued against those persons who had been released by the courts on technical grounds and most of them have been detained. It will not be long before the absconders are also tracked down and put behind the bars.

Further Steps

As a further step in the drive against smugglers and foreign exchange manipulators, the Government of India decided that such persons should be deprived of their ill-gotten gains. Accordingly, an ordinance known as the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Ordinance, was promulgated by the President on the 5th of November 1975. It is well known that smug-

glers and foreign exchange manipulators have been acquiring properties, both movable and immovable, not only in their own names but also in the names of their relatives, associates and benamidars. The ordinance therefore provided for the forfeiture of properties standing in the names of relatives, associates and benamidars also. This ordinance was replaced by the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (No. 13 of 1976), which received the assent of the President on the 25th of January 1976.

Under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (hereinafter referred to as the Act), illegally acquired property held by the following categories of persons is liable to forfeiture:

Main Provisions

(i) Every person who has been convicted even once under the Customs laws for an offence in relation to goods of a value exceeding Rs. 1 lakh or under the Foreign Exchange Regulation Act for an offence involving an amount exceeding Rs. 1 lakh;

(ii) Every person who has been convicted more than once for such offences, whatever may be the value of the goods or the amount involved;

(iii) Every person against whom an order of detention under the COFEPOSA Act has been issued by the Central or State Government and the detention order is still in force; and

(iv) Any person who is a relative, an associate or a benamidar of a person who has been convicted or against whom a detention order is in force, as stated in (i), (ii) and (iii) above.

A person who has been convicted for offences under the Customs or foreign exchange laws in the manner mentioned above, or against whom a detention order has been issued and is in force, may try to save his property from forfeiture by fictitiously transferring it to some other person. To defeat such attempts, the Act provides that, in

such a case, the transferee of the property will also be liable to be proceeded against under the Act in respect of the transferred property. At the same time, to protect genuine purchasers of such properties, it is provided that where the transfer is in good faith for adequate consideration, the provisions of the Act shall not apply. If the property has passed through one or more persons before coming to the present holder, it will be free from liability to forfeiture if either the present holder or any of the previous holders after the persons mentioned in categories (i), (ii) or (iii) above was a transferee in good faith for adequate consideration.

The terms "relative" and "associate" have been given a wide meaning for the purposes of this Act in order to ensure that the Act fully achieves the objects for which it is intended. Both movable and immovable properties are liable to forfeiture if they are illegally acquired properties. According to the definition in the Act, "illegally acquired property" is any property which has been acquired by means of income, earnings or assets derived from any activity prohibited by law or from sources which cannot be proved. It is a common practice among persons engaged in smuggling activities to have some legitimate business as a "front" to conceal their illegal activities. They may try to claim that the properties belonging to them were acquired out of the income from such a business, while the truth may be that the acquisition was out of the income earned from smuggling. To prevent this, the Act specifically provides that the source of acquisition of the properties should be proved. If the source of the original investment in a business is not proved, any property acquired with the income from such a business will also be illegally acquired property. The definitions of "illegally acquired property", "relative" and "associate" have been made very comprehensive, so as to cover all the ill-gotten wealth of persons convicted or detained for offences of smuggling or foreign exchange manipulation, whether held in their own names or in the names of persons closely connected with them.

Competent Authority

The Act is administered by officers of the Central Government, not below the rank of Joint Secretary to Government, who are designated as Competent Authorities. There are at present three Competent Authorities with headquarters at Delhi, Bombay and Madras. Under section 6 of the Act, the Competent Authority has first to record his reasons for his belief that a person to whom the Act applies holds illegally acquired property. Thereafter, he issues a notice to the person calling upon him to indicate, within a period of not less than thirty days, the sources of his income, earnings or assets out of which or by means of which he has acquired the property, the evidence on which he relies and other relevant information and particulars and to show cause why all or any of such properties should not be declared to be illegally acquired properties and forfeited to the Central Government. After the expiry of the period mentioned in the notice, the Competent Authority will give the person concerned a reasonable opportunity of being heard and then record his finding, whether all or any of the properties covered by the notice are illegally acquired properties. He will also declare that such properties as are held to be illegally acquired shall stand forfeited to the Central Government free from all encumbrances. Where shares in a company are forfeited to the Central Government under the Act, the company is required to transfer the shares to the name of the Central Government notwithstanding anything contained in the Companies Act, 1956, or in the articles of association of the company.

Burden of Proof

The Act specifically provides that in any proceeding under the Act, the burden of proving that any property specified in the notice served by the Competent Authority is not illegally acquired property shall be on the person affected.

If only a part of the consideration with which a particular property was acquired has not been proved to

the satisfaction of the Competent Authority, the person affected will be given an option to pay, in lieu of forfeiture, a fine equal to 1-1/5th times the value of such part, the source of which is not proved. If the fine is paid within the time-limit fixed by the Competent Authority, the property will not be forfeited; otherwise the property will stand forfeited to the Central Government free from all encumbrances.

The Act applies also to trusts created by a person convicted under the Customs or foreign exchange control laws as stated above or detained under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974, or where the value of the assets contributed by such a person to the trust amounts, on the date on which the contribution is made, to not less than twenty per cent of the value of the assets of the trust on that date.

After the issue of the notice by the Competent Authority calling upon a person to prove the source of acquisition of the properties held by him, any transfer of any property covered by the notice will be null and void if the property is subsequently forfeited by the Competent Authority.

Appeal

An appeal against the order of forfeiture passed by the Competent Authority lies to the Appellate Tribunal for Forfeited Property. This will consist of a Chairman who shall be a person who is or has been or is qualified to be a Judge of the Supreme Court or a High Court and such number of other members, being officers of the Central Government not below the rank of Joint Secretary to Government, as the Central Government thinks fit.

In order that the persons concerned may not take advantage of minor errors in notices or orders, it is specifically provided in the Act that no notice, issued or served, no declaration made and no order passed under this Act shall be deemed to be invalid by reason of any error in the description of the property or person mentioned therein

if such property or person is identifiable from the description so mentioned

Except for the appeal to the Appellate Tribunal mentioned above, there will be no other appeal and no Civil Court shall have jurisdiction in respect of any matter covered by this Act, and no injunction shall be granted by any court or other authority in respect of any action taken under this Act.

The Competent Authority and the Appellate Tribunal have been given the powers of a Civil Court for certain purposes. The Competent Authority is empowered to obtain information from any officer or authority of the Central or State Government or a local authority. All officers of the Income-Tax Department, Central Excise Department, Customs Department, the officers of enforcement appointed under the Foreign Exchange Regulation Act, all officers of Police and such other officers of the Central or State Government as may be specified by a notification issued by the Central Government, are required to assist the Competent Authority and the Appellate Tribunal in the discharge of their functions under this Act.

Public Support

Where a property is declared to be forfeited to the Central Government under this Act, the owner, as well as the person who is in possession of the property, is required to surrender or deliver possession thereof to the Competent Authority or any person duly authorised by him within thirty days of the service of the order. The Competent Authority is empowered to take possession of the property by use of such force as may be necessary, and for this purpose, he is empowered to requisition the services of any police officer to assist him.

The main provisions of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976, have been dealt with above. The Act seeks to deprive smugglers and foreign exchange manipulators as well as their relatives and associates of their ill-gotten wealth and

thereby cripple them and prevent them from indulging in such activities in future. It goes without saying that any action by the Government can be successful only with the active co-operation and assistance of the people. The members of the public can help Government in implementing the provisions of this law effectively by passing on to the Competent Authorities at Bombay, Delhi and Madras information about the properties of such persons. Besides, it is also necessary that every citizen of this country makes a firm resolve to shun smuggled articles. This will cut at the root of these anti-social activities and destroy them, since a market cannot flourish when there are no buyers.

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LIBERALISATION OF LICENSING PROCEDURES FOR NEW INVESTMENTS

M. V. NAMJOSHI

The Licensing Authority has to act as a bridge between overall macro-planners and industrial entrepreneurs who submit schemes. It is not possible for it, on the basis of a macro-economic input-output framework, to accept or reject a particular application. A macro-econmic framework enables one to take into account the investment requirements, foreign exchange needs and employment targets of individual industries. It cannot, however, provide an estimate of cost conditions in particular industries and therefore one has to have information through project reports before a decision can be taken. Moreover, the feasibility report submitted by an entrepreneur is generally based on a consideration of profitability, though it *may* refer to some social considerations. Therefore, before the Licensing Authority can act rationally, it must have before it a list of social objectives, in a descending order of importance, for each industry. It has also to bear in mind such other factors as concentration of economic power, size of business, location, conservation of foreign exchange and promotion of employment opportunities; and these factors emphasise the need to use licensing as a planning instrument.

Evolution

As the nature and character of the Five-Year Plans underwent an evolution, so did licensing procedures and policies.

DR. M. V. NAMJOSHI is Professor, Vaikunth Mehta National Institute of Co-operative Management, Pune.

As a matter of fact, it was between 1961 and 1963 that a really significant attempt was made to link up planning and licensing. During the period from 1956 to 1961, there was no relationship between licensing and targets, though owing to a shortage of foreign exchange towards its close, some licences were denied on the ground that targeted capacity had been licensed. During 1961-63, however, a firm relationship evolved between licensing and targets, while the sub-period 1963-66 is again characterised by uncertainty and inconsistency relating to planning and targets. A variety of considerations influenced target-setting; and targets were used as upper limits in some cases but not in others..

In 1966, Dr. R. K. Hazari's report on Planning and Licensing stressed the need for a link between the plan model and licensing policy. The Licensing Policy Enquiry Committee* introduced the concepts of "core industries" and "middle sector" industries, stressed the importance of curbing concentration of economic power and suggested the encouragement of joint sector operations and the establishment of close links between the plan model, policy models for individual industries, and licensing procedures.

Licensing Policy

Government accepted the Committee's recommendation that there should be a list of "core" industries consisting of "basic", "critical" and "strategic" industries in the economy. This list, which was drawn up by the Planning Commission in the light of the production gaps that had to be closed in the course of the Fourth Plan, also provided for the participation of larger industrial houses which could contribute to growth. In addition to the core sector, all new investment propositions of over Rs. 5 crores were deemed to be in the "heavy investment sector". Larger industrial houses would be expected, along with other applicants, to participate in the establishment of industries in this sector, except in those industries reserved for the public sector, leaving the opportunities in the remaining sectors primarily

* Chairman: S. B. Dutt.

to other classes of entrepreneurs. Government also accepted, in principle, the "joint sector" concept suggested in the Committee's report. However, the implementation of this policy in the core sector called for the development of various supplementary policies that are still on the anvil. Excess resources continued to be generated and, to some extent, wasted by large business houses.

In the "middle" sector, with investment ranging from Rs. 1 crore to Rs. 5 crores (the exemption limit having been raised to Rs. 1 crore), applications for licences from entrepreneurs other than those belonging to larger industrial houses were given special consideration, except where foreign exchange implications called for a careful scrutiny.

The Industrial Licensing Policy adopted by Government after the Dutt Committee's report did not adequately tackle the problem of regulating large industrial houses and dovetailing their plans into Government plans. The importance of the development of the public sector in particular industries had been partially realised, but the absence of a firm policy frame and the links of large houses with foreign business groups continued to create complications in determining the best form of organisation for particular industries. The larger houses also offered to take special interest in the promotion of industries in backward areas. This made their participation more acceptable and helped to keep intact the sector allowed to them. Certain large houses went even further and offered to experiment with forms of organisation that would better subserve Government objectives. It may therefore be said that, while licensing has achieved much in regulating the larger houses, there is considerable room for improved operations once the planners are in a position to visualise more clearly the structure they want in each industry.

Opposition of Private Business

The attack of private business on licensing concentrates on two issues. The first relates to targets and licensing. Private business would prefer the abolition of licensing, though here we have to make the qualification that small

business supports the regulation of concentration through licensing. It does not necessarily oppose the dispersal of industry or the need for conserving foreign exchange. The second point bears on the issue of delays. It is in clearing up the latter that further progress has been achieved of late.

As regards the closer link-up of licensing policy and the Fifth Plan model, some sort of progress has yet to be achieved. The weightage to be given to the employment objective in different fields of activity remains to be defined. In the absence of such a definition, the licensing authorities cannot really operate. The Fifth Plan has brought in the concepts of a public distribution system and of a special strategy to benefit the weaker sections of society. Both these clearly have implications for licensing procedures. The new budget has provided excise incentives to luxury products, though the role of licensing in this field still remains vague. In the matter of regulating the concentration of economic power, the licensing authorities play a limited role. The policies of the public sector and of financial institutions and the operation of such legal instruments as the Company Law and the Monopolies and Restricted Trade Practices Act, also play a limited role. Further, new policies are essential to bring about dispersal of concentrated economic power and to prevent wasteful use of money in industry. But all these are matters to be dealt with by instruments of policy other than licensing.

Licensing can contribute by encouraging that form of organisation in each field which will best promote socially-oriented and economically efficient business. In other words, licensing is an instrument of choosing among entrepreneurs and forms of business. But it must choose fairly and openly, and regulate the role of various sectors and of multinationals. As the emergence of a policy of co-operation with other developing countries to confront the multinationals has implications for international co-ordination in licensing matters, the improvement of policies and procedures has to be a continuous process.

M.R.T.P. Act

The report of the Industrial Licensing Policy Enquiry Committee was followed by the setting up of the Monopolies and Restrictive Trade Practices Commission. The procedures relating to pre-investment approvals—such as letter of intent, industrial licensing, foreign collaboration approval, capital goods clearance and approval under the MRTP Act—were continuously improved during the last few years and this process has now been further accelerated.

The Project Approval Board (PAB), which is an Inter-ministerial Committee of Secretaries, has as its sub-committees the Licensing Committee, the Foreign Investment Board and the Capital Goods Committee. A Joint Licensing-cum-MRTP Advisory Committee has also been formed. The Secretariat for Industrial Approval provides administrative support to the Project Approval Board; while defined time spans have been laid down for various clearances.

A continuous process of improvement in forms and an attempt at shortening the time required for clearance has been under way. However, the overall frame of industrial policy and the co-ordinated use of licensing and other instruments, particularly on the promotional side, has not registered much improvement.

The MRTP Commission promulgated a new set of regulations called the Monopolies and Restrictive Trade Practices Regulations, 1974, in supersession of the previous regulations announced in 1970 and 1971. The new regulations, for the first time, made detailed provisions for the exercise of the advisory jurisdiction of the Commission in the case of expansion, setting up of new undertakings, mergers, amalgamations and takeovers of undertakings, and the exercise of the functions of the Commission in cases involving the break-up of large or inter-connected units into smaller units. As a result of these improved regulations and a further elaboration of enquiry procedures, and as a result of co-ordination with licensing authorities, Government is in an improved position to regulate industrial

development. This power, however, has to be effectively and continuously used.

A Forward Look

By 1975, Government was again seized with the question of improving licensing procedures. The issues of promoting import substitution and export, and of allowing diversification and fuller use of capacity led to further relaxation during the current year. Ways of defining and fixing productive capacity in such a way as not to interfere with the objectives of Government were gradually evolved. But matters relating to excess capacity and explicit export obligations still remain undecided. However, increased export capability, need for diversification, and full utilisation of capacity, were gradually given due weightage. For example, in the machine tool industry, diversification into machinery was permitted because the distinction between machinery and machine tools is very thin.

The Industrial Licensing Policy of the Government has undergone considerable modifications in 1975 and 1976 with a view to ensuring full utilisation of installed capacity, diversification of production, export promotion and import substitution. Two further objectives—namely, automatic growth in selected engineering industries and replacement and modernisation—were also stressed. A clear policy line in favour of national units also emerged; and a liberal licensing policy towards Indian units, with emphasis on the expansion of the public sector, was accepted in regard to the manufacture of drugs and pharmaceuticals.

Again, the licensing of imports and the liberalisation of tax policy in favour of the higher income groups have been associated with licensing procedures with a view to making exports more competitive. This purpose may perchaps be partly served in a period where immense opportunities exist for the expansion of foreign trade.

Export Development & Modernisation

The import licensing policy for April 1975-March 1976 had three main objectives:

(a) Stepping up of industrial production and encouraging exports;

(b) Encouraging import substitution; and

(c) Eliminating delays in providing import licences for raw materials and components.

These policy objectives were obviously linked to the objectives of the general industrial licensing policy. The special additional measures included automatic licensing for the import of raw materials and components and supplementary licences for a list of selected industries which were regarded as specially important for these purposes.

The scheme of compulsory general export obligation amounting to a minimum of 5 per cent of production applicable to large-scale units engaged in specified industries was continued during 1975-76, with the modification that in the case of certain industries, the level of compulsory export obligation was raised from 5 per cent to 10 per cent. Units which failed to fulfil this obligation had to suffer a cut of 10 per cent in their entitlement for raw materials and components. Out of 316 units to which the compulsory export obligation was applicable, only 76 units could qualify for exemption from the cut by showing that their export performance was up to the prescribed level.

The export licensing fees were abolished. Certain items and industries were decontrolled and more items were brought on the open general licence list. Special facilities were provided for imports by Indian residents returning from abroad. The policy relating to import of spare parts by industrial units was also liberalised.

A further development relates to Government's policies aimed at promoting a fuller utilisation of capacity, enhancing export development and aiding modernisation and use of improved technology. A Technical Development Cell has been set up in the Ministry of Industries and Civil Supplies; and a Technical Development Fund has been created to cover the foreign exchange requirements for:

(a) Small value balancing equipment imports, having a large impact on quality and quantity output;

(b) Imported technical know-how;

(c) Foreign consultancy services, if required; and

(d) Import of drawings and designs.

The Fund is to be utilised for select industries—for foundries and for industries engaged in the manufacture of commercial vehicles, tractors, forgings, textile machinery and machine tools. Other industries would be considered where special needs are projected to enable an enterprise to compete for export orders. The above imported inputs would be approved in an integrated manner by one single committee through simplified procedures to aid quick implementation. The aggregate foreign exchange for any firm under this scheme will be limited to the equivalent of Rs. 2,50,000. Preference under the scheme will be given to proposals aiming at quickly improving the following in an integrated manner:

(i) Export capability and export volume;

(ii) Cost reduction;

(iii) Capacity utilisation;

(iv) Upgrading technology;

(v) Product-mix rationalisation; and

(vi) Modernisation and general rationalisation.

Government has further decided that industrial undertakings, other than those coming within the purview of the MRTP Act and foreign companies (as defined under FERA —Foreign Exchange Regulation Act—would be allowed to set up capacity based on the results obtained through their own research and development efforts. Approvals for such capacity would ordinarily be granted as a matter of course.

If an undertaking is covered by the MRTP Act, or is a foreign company and seeks to embark on research and development activity, it will have to seek prior approval of the Department of Science and Technology.

The essence of the new approach to industrial policy is to relieve industry of the excessive controls that had crept in

under the cloak of ideology. This is obvious from the fact that we have new proposals for merging sick mills with healthy units, and for further liberalisation of licensing and creation of additional capacities in industries with export potential Industry, moreover, has been allotted more foreign exchange, and urban land ceiling laws have not been allowed to hamper its growth. The capital market has been freed from the recent restrictions imposed on it. Violations of conditions attached to licences are thoroughly investigated and vigorous action taken wherever called for. Thus, there is progress in implementation and in removing policy defects.

The Secretariat of Industrial Approvals, which came into being towards the end of' 1973, has now cleared the backlog of old cases. Pre-empting of licences by any one house is now effectively prevented. The list of items reserved for the small-scale sector is being expanded. Approximately two-thirds of the licences issued have been utilised.

Much still remains to be done by way of further improving industrial policy. Improvement in planning and the evolution of an investment and credit plan for the country are essential if the instrument of licensing is to be effectively used by itself and in combination with other instruments Further, the mere prevention of expansion in certain areas and reservation for small business in other areas is a negative policy. Considerable progress remains to be made in further elaborating planning procedures; and through these means incorporating more explicitly specific sub-models for various fields of activity and for such items as foreign exchange and employment into the basic plan model.

Integrated Policies

Obviously, then, there is a clear case for evolving integrated policies in various Indian industries, with due weightage to various Government objectives in particular industries. In any particular industry, we may require the dominance of the public sector, either because it is necessary to face foreign multinational companies

or because it is necessary to divert resources into an industry that has become sick either owing to managerial difficulties or due to contradictions in Government's earlier policies. For example, the difficulty of evolving an integrated policy for textiles arises from a failure to visualise properly the role of the handloom sector. In the past, the policy was directed at bringing about the replacement of handlooms by powerlooms, but now the thinking is in terms of stabilisation of handloom production for selected products; and this is combined with an overall objective of encouraging decentralisation of the textile industry, both locationally and in terms of ownership, through encouraging the growth of co-operatives.

There is also the matter of encouraging exports and maintaining, if not expanding, employment. When so many policy objectives are to be adjusted, the framing of an integrated policy encounters many difficulties in practice; but these can, in principle, be overcome. This is possible through creating a framework of planning and industrial policy that will relate general objectives with workable proposals for individual industries. A proper licensing policy can only follow, and not precede, these decisions.

Roles of Various Sectors

The new requirements of a public distribution system suggest the need for public sector dominance in selected industries. The imperative need to raise employment opportunities suggests a new approach to licensing in choosing between different private sector applications. And the need for eliminating particular forms of organisation from particular industries or areas may provide further guidelines for licensing authorities.

The possibility of envisaging an improved model of a mixed economy by clearly demarcating the role of the public, private, joint and co-operative sectors is a matter of great importance for policy formulation. The failure to visualise properly the role of different sectors of the economy has been a major policy failure so far. This holds true for many industries, for agriculture, for urban development and

housing, and for finance and trade. Gains would be consolidated and clear and promising horizons opened up if such a perspective is developed. An inefficient mixed economy would be transformed into an efficient one if the desired forms and scales of organisation are predetermined for as many fields as possible.

From the discussion so far, it is evident that fundamental improvements in industrial policy can give a new direction. But what are the possibilities that lie before us now? An *a priori* discussion of these is essential if we are to realise clearly the possible role of the licensing system and determine its future.

Multiple Choice

Let us consider the main choices made by firms that may be inhibited in a closed system by a licensing authority. These are:

(a) Choice of lines of business;

(b) Choice between new plants and expansion of old plants;

(c) For new plants (and also for expansion), the choice of location and choice of size;

(d) Choice of acting independently or through amalgamation;

(e) Given the choice of size, there may be room for choice of techniques;

(f) Choice relating to output, particularly through the operation of shifts, and through determining the scope for ancillaries;

(g) Choice of particular forms of organisation (co-operative, joint-stock, private, etc.) for firms entering particular industries; and

(h) Choice of weightage given to social objectives in addition to basic profit objectives.

Freedom of choice in these matters may be inhibited or choices may be influenced in a particular direction as a re-

sult of Government's use of negative and positive instruments of planning and development. It is possible to say *a priori* that such instruments should be used, and that matters should not be left entirely to free responses and a decentralised pricing system. It is well known that choices made in response to the pricing system do not give a socially desirable allocation of resources over space, over time, between different sizes of enterprises, or between particular sectors and industries. A decentralised pricing system has, therefore, to be combined with some administrative measures, negative and positive. An entrepreneur class that guarantees performance has to be encouraged against a class that just seizes or inherits positions. Even if there is no intention to introduce centralised planning, it may be desirable to modify the results of free business initiatives in the matter of location and the relative emphasis on different sizes of enterprises. In a system of centralised planning, where all choices are made at the centre, there is no need for a central instrument like licensing to inhibit decentralised choices. Similarly, given certain assumptions, a system of taxation and subsidies can make all the needed corrections in a decentralised system. However, as soon as we make the assumption that taxation has limits, it follows that we assume the need of licensing, if certain corrections in the results likely to flow from unfettered business initiatives are to be achieved. In any system which wishes to retain a substantially decentralised character, it would be essential to have such negative constraints. To obtain corrections of the defects of the pricing mechanism purely through positive subsidies would involve a very much larger control over resources than most governments have at present.

It is possible to say *a priori* that negative instruments necessarily play a role in the administrative measures supplementing decentralised decision-making. The conclusions we reached as a result of an empirical review of the different instruments of planning could also be reached *a priori*. In fact, many of these conclusions would be similar for all countries. Given certain resource dimensions, it follows that the use of negative instruments is obligatory.

In particular, once we assume that the attempt is to reconcile a variety of purposes, it becomes very necessary to use negative instruments It is hardly possible to assume that all these purposes can be achieved through a *laissez faire* policy or even solely through positive instruments.

Purposes and Instruments

Among the purposes of Government, we have taken into consideration (1) regional dispersal, (2) promotion of small business, (3) import substitution, (4) regulation of foreign business, (5) avoidance of concentration of control, and (6) attainment of targets flowing from general social purposes.

The instruments of policy at the disposal of Government are· (1) public sector development, (2) policies of financial institutions, (3) company law, (4) capital issues control, (5) foreign exchange budgeting, (6) export incentives, (7) tariffs, (8) excise, (9) direct taxes on companies, (10) reservation of fields and of resources for small business and granting of special prices for the same, (11) location control through Statewise quotas, through retention prices for basic commodities and through subsidies by State Governments, (12) price control, (13) restrictions on financial policies of companies, (14) restrictions on access to finance, (15) a public distribution system, (16) a wages and incomes policy and a promotion of participatory arrangements, and, finally, (17) a new and clear-cut division between fields exclusively reserved for private, public, joint and co-operative sectors, and definition of narrower "sector" where more than one form of organisation is allowed.

All these are essential if we are to move towards an improved mixed economy. Suitable assumptions may of course be introduced, as and when they are desirable, to prescribe the limits of each instrument in achieving the said purposes.

Given certain purposes, it is possible to say *a priori* that certain instruments play an essential role. Licensing, for example, is required for the more comprehensive social purposes that lie behind setting obligatory targets, *e.g.*,

restraining luxury consumption. If, however, indicative targets are regarded as sufficient, licensing has no role to play for this purpose. We may, therefore, classify the purpose of licensing into two groups: one compatible with indicative planning and the other compatible with some degree of imperative planning.

Licensing may operate within the limits of a *laissez faire* policy or may be used to promote socialism. No serious ideological conflict arises out of the encouragement of small business, regional dispersal, and import substitution.

General Issues Relating to Licensing

There is, as we have seen, a case for controlling the development of certain luxury industries. There is also a case for slowing down the growth either of luxury industries or of industries in which excess capacity develops through creating a list of banned industries. The use of licensing for creating a list of such banned industries is obviously a form of protection which is equivalent to the grant of a monopoly. Now, some monopolies may be in the public interest. However, given the assumption of equality of opportunity, before a monopoly is granted, it must be clearly shown that a particular monopoly is in the public interest and to regulate carefully the distribution of gains that arise from offering such protection. Thus, while there is a case for having a banned list, there is also a case for the regulation of such industries. It has to be remembered that, in the past, licensing was used by Government to regulate concentration of economic power, but was transformed by private groups into an instrument for building up concentration of economic power. The banned list helps in this process. We have, therefore, to think of it on an altered basis.

It is also possible to say that—by reason of the characteristics of technology, the number of buyers and sellers and the types of firms involved—each industry requires a unique policy-mix. The final result of decentralised decision-making and of the policy-mix must necessarily be in line with

national economic objectives. Since non-governmental factors vary, governmental factors, too, have to be varied to obtain the desired results. Government purposes, for analysis, may be placed in two broad groups—the "liberal" minimum and the "socialist" maximum proposals for licensing. The first involves merely indicative planning, while the second implies some imperative targets. There is, however, a "middle ground" for licensing, involving the control of monopoly and concentration that escapes this classification.

Thus, the type of planning adopted determines the type of licensing required. It is, therefore, not possible to think in terms of scrapping licensing and allowing investible funds to flow according to market forces. Our financial institutions, public and private, are still not in a position to guide investible funds according to national priorities. The problem of bringing about a change in the proportions of industries so as to solve the unemployment problem is, for example, a field in which a proper licensing policy can help. In assuring production and availability of essential consumption goods, licensing has to be combined with subsidies and proper policies on the part of financial institutions. However, for at least 15 years, it is not possible to think in terms of abolishing licensing and relying solely on reformed financial institutions. On the other hand, it is essential to use this instrument in combination with other instruments. What one has to avoid is excessive reliance on licensing and the development of an apparatus which slows down growth on the false plea of social scrutiny. We, therefore, require increasing sophistication in the licensing process, which is in essence negative but capable of being usefully combined with positive instruments.

Investment in the private sector, which is the sector mainly affected by licensing, has not revived to the expected extent.

To summarise, the main changes in the licensing policy are:

(1) Total exemption of small and medium entrepreneurs from licensing procedures in 21 major industries;

(2) Allowing undertakings in 29 selected industries to utilise fully their installed capacity even in excess of their licensed capacity;

(3) Diversification of production in certain industries within the limits of overall licensed capacity;

(4) Simplification of procedures for the regularisation of the additional capacity arising out of replacement and modernisation;

(5) Simplification of procedures for grant of licences to small and medium entrepreneurs based on the results obtained through their own R & D efforts. Additionally, industrial undertakings other than those coming within the purview of the MRTP Act or FERA companies will be allowed to set up capacities without an industrial licence if they are based on technologies developed by any of the national leboratories. This facility will also be available in respect of "sponsored" research undertaken by national laboratories on behalf of such industrial undertakings; and

(6) Allowing engineering industries to automatically increase their capacities by 25 per cent during a five-year period. This has been done in order to boost exports of this industry.

Various other measures have also been taken to improve the investment climate, such as amendment of the Companies (Temporary Restriction on Dividends) Act, 1974, and relaxation of the "frequency tests" for the issue of bonus shares. Steps have also been taken to encourage investment by non-resident Indians.

A review of the distribution and price controls has been undertaken in a number of industries. As a result, controls have been relaxed on industries manufacturing aluminium, white printing paper, tyres and tubes, baby food, cement, tractors and commercial vehicles, and razor blades.

Import and export policies, too, have been liberalised. The Import and Exports (Control) Act has been amended to deal more effectively with economic offences relating to import and export facilities.

However, these changes cannot be said to amount to systematic planning and a new industrial policy. There is also no question of attaining simplification by moving to the extremes either of a fully planned or a fully market economy. What we have to do is to determine the exact scope and role of licensing, financial institutions and other policy measures in each particular industry. Only then can we build a mixed economy, which is the theoretical ideal.

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NEW IMPORT POLICY AND ITS BENEFICIAL EFFECTS

B. V. BHOOTA

It has been almost universally agreed that the Import Policy 1976-77 includes some really needed positive and inspiring measures for liberalising imports and encouraging exports by eliminating red tape and bottlenecks and by establishing procedures for the issue of import licences and for clearing them expeditiously. The policy has been framed to respond to the overall national objectives—made evident in the Twenty-Point Programme—in the light of the welcome changes that have taken place. After two years of relative stagnation, we are now confidently poised for a major breakthrough in the fields of industrial development and foreign trade. In a developing country like ours, foreign trade performance is in itself an industrial growth input.

In 1975-1976, the deficit estimated in the budget was Rs. 247 crores, while the actual deficit is now stated to be Rs. 490 crores. This amount is arrived at after taking credit for foreign aid of Rs. 366 crores, plus Rs. 204 crores which have come from Iran for the Kudremukh project. Even without taking account of the withdrawals from abroad amounting to Rs. 570 crores, the deficit for the last year exceeds Rs. 1,000 crores. This shows how far we are from reaching the much-vaunted goal of self-reliance.

Exports—which had been growing at 23 per cent in 1972-73, 28 per cent in 1973-74 and 31 per cent in 1974-75—amounted only to 15 per cent in 1975-76. This poor perfor-

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DR. B. V. BHOOTA is President, DORR-OLIVER (India) Ltd., Bombay, Ex-Chairman, EEPC and Past-President, AIMO.

mance may partly be ascribed to world recession, and therefore unavoidable to that extent. However, our imports have also been growing at a very high rate—58 per cent in 1973-74 and 51 per cent in 1974-75. This wide gap needs to be bridged—and one important and feasible way to do so is by stepping up exports.

The main thrust of the new import policy is naturally on export promotion and increased production, with particular emphasis on the small-scale sector and the development of backward regions. While the free market forces, in specified lines, are encouraged, the policy is growth-oriented and in consonance with the socio-economic objectives of helping new entrepreneurs as well as the weaker sections of society. Many welcome and innovative changes have been introduced. An additional incentive by way of relief in income-tax on export profits would have further helped.

One has to study in depth the Import Trade Control (I.T.C.) Policy Book (Red Book), Vol. I and Vol. II, 1976-77, to appreciate how it helps the entrepreneur. The following features are particularly noteworthy:

(1) Decanalisation of many items (estimated value Rs. 8 crores);

(2) Import of spares liberalised;

(3) Research and Development encouraged by a grant of one lakh licences;

(4) Open general licence on a pragmatic basis;

(5) Liberalisation in registration of contracts;

(6) No advertisement needed for imports upto Rs. 15 lakhs;

(7) Samples upto Rs. 5,000 allowed; and

(8) Export incentives valid for three years in respect of registered contracts.

While a centrain liberalisation has occurred to allow imports for exports, about 59 items have been banned from the import list, and restriction is planned on another 88 items. Also, if there is a genuine complaint of the quality

of export goods, the Chief Controller of Imports may direct the registering authority to de-register the exporter if he does not put forward a proper explanation and justification.

Among the non-traditional items of export, engineering goods play a major role and may be depended upon to maintain their upward trend as the pace of industrialisation is accelerated. Exports in 1975-76 were of the order of Rs. 400 crores. By 1980, it is estimated that they would amount to Rs. 1,000 crores.

Some Specific Benefits

A distinct feature of the new import policy is that forty-three canalised items may now be supplied directly by the canalising agency to the actual user without any release order. Of these, eleven will be supplied by the Minerals and Metals Trading Corporation, eight by the State Chemicals and Pharmaceutical Corporation (a State Trading Corporation subsidiary), and twenty-four by the Steel Authority of India Ltd. (SAIL). Twenty-nine export industries will now be treated as select industries; the list has been extended to include coffee, tea, jute and cotton textiles.

The new policy provides a number of special facilities for the small-scale sector. The automatic licensing and supplementary licensing system, till now the privilege of the Directorate-General of Technical Development (D.G.T.D.) units, has been extended to the small-scale sector. What is more, the value of licences or release orders issued under the automatic system will be increased for this sector by 20 per cent in the initial stages. This is expected to eliminate the need for the small-scale units to apply for supplementary licences.

The present system of capacity assessment on a single shift basis will continue. As a measure of further facility to the small-scale sector, it has been provided that capacity assessment may be made on more than a single shift basis where continuous production is involved or where the situation in an industry so warrants. Such proposals will, however, be considered only on the recommendation of the

Development Commissioner, Small-Scale Industries, New Delhi.

Boost for Small Units

The mode of financing for grant of import licences to units in the small-scale sector has been substantially liberalised. These will now be able to get licences upto Rs. 50,000 in free foreign exchange as against Rs. 10,000 earlier. Small-scale units may also claim licences without reference to consumption on a repeat basis if the value of the previous licence and release order was upto Rs. 50,000.

In the past, new units in the small-scale sector could obtain licences on the basis of 40 per cent of the value of installed machinery. This limit has now been raised to 50 per cent. The maximum limit has also been raised to Rs. 2 lakhs for six months in the case of select industries and Rs. 1 lakh in the case of others. The previous limits were half of these.

It has, moreover, been decided that industrial undertakings, which have been exporting more than 20 per cent of their total production during the past three years and undertake to continue to export more than 20 per cent of their total enhanced production for the next five years, will be *allowed to import machinery freely upto a total value of Rs. 1 crore in a year.* This is, however, subject to the condition that where an industrial undertaking has been licensed with an initial export obligation of higher than 20 per cent, it will have to maintain that higher level of exports and give an undertaking to that effect.

Installation of imported machinery under this facility is likely to result in increased productive capacity of the industrial undertaking. If in respect of any item such capacity is likely to exceed by 25 per cent or more of its licensed capacity as a direct consequence of the import of equipment under the aforesaid liberalised policy, it will be necessary for the industrial undertaking to get its industrial licence endorsed for higher capacity. Where the capacity is not likely to exceed by 25 per cent of its licensed capacity, the endorse-

ment of the industrial licence for higher capacity will not be necessary.

Rules applicable to small-scale units set up by engineering graduates, ex-service personnel, science graduates and diploma-holders in engineering will continue. Units set up by persons belonging to scheduled castes and scheduled tribes will in future get the same facilities as are available to units set up in backward areas. The value of initial licences for the above units will be calculated at 100 per cent of the value of machinery as against 75 per cent in the previous year. This facility for scheduled castes and scheduled tribes has been introduced for the first time this year.

All exporting units, International Development Association industries, units set up in backward areas and by engineering and science graduates will get licences at 75 per cent of their entitlement under free foreign exchange and the balance under U.K. credit, subject to a minimum of Rs. 50,000 under free foreign exchange.

Established importers get a break this year. The minimum value of licences for established importers has been raised to Rs, 1,500/-. The quota for drugs has been increased to ten per cent. The quota licences for motor vehicles spares, tractors, machine tools and diesel engines spares have been enhanced by 20 per cent.

The clearance procedure for spare parts has been liberalised. These spare parts may now be imported on the basis of a declaration, thus establishing an honour code, by the party that these will be used for the maintenance of the machinery installed. The value limit for the import of non-permissible spare parts has been raised from 10 per cent to 20 per cent of the face value of licences.

Major Concessions

The import policy for registered exporters has been further liberalised. While determining import replenishment for export production, the import of even those raw materials

and components which are available indigenously will be permitted if the price of indigenous substitutes is higher, or its quality not comparable or its physical availability is inadequate. On these considerations, new items have been allowed for import against 129 export products, a higher import replenishment has been given for 83 export products, and 46 new export products have been added to the list of exports which qualify for import replenishment.

A major concession has been shown to exporters for the import of machinery. A manufacturer engaged in export production has been allowed to utilise the entire import replenishment entitlement for the import of the machinery required for replacement, modernisation, balancing, research and development, and for the import of jigs, tools and testing instruments. The advertisement procedure has also been waived in the case of imports of machinery valued upto Rs. 15 lakhs.

The import of leather machinery has been placed on open general licence. The open general licence will allow imports of machinery, which has been cleared from the indigenous angle. This step is intended to quicken the change from the export of semi-processed hides and skins to that of finished leather, leather goods and footwear. This should encourage the export of high-value leather goods, for which we used to export raw hide in the old days.

Export houses have also been permitted to utilise their replenishment entitlements for the import of certain types of machinery, such as garment-making machinery, testing instruments and equipment for packing and tagging. Export houses will also be allowed to import testing equipment and spares and machinery required for setting up common servicing centres.

The schedule for the supply of indigenous raw materials at international prices has been expanded with the inclusion of seven more items, *viz.*, sodium bichromate, white and yellow phosphorus, potassium chlorate, angora, hair aniline and aniline oil, beta nephthol and stamping foil.

Welcome Features

As for capital goods, the list of machinery—which has been cleared from the indigenous angle and for the import of which individual entrepreneurs are not required to issue advertisements by way of notice to indigenous manufacturers before applying for import—has been enlarged.

Import licences to small units, requiring capital goods of the value of Rs. 25,000 from the general currency area or Rs. 50,000 from U.K. or a rupee area, will be issued by regional licensing authorities on the recommendation of the State Director of Industries, who will certify both essentiality and indigenous clearance. This is a major change to help the small-scale sector.

Several improvements have been made in the scheme for the registration of export contracts under which benefits available on the date of contract are protected. It has now been ensured that exporters will not lose benefits of registration because of any subsequent change in the value of contract due to a price escalation clause or the inclusion of a clause for re-negotiation to cover increase in freight and insurance, or due to fluctuations in foreign exchange value or in the specifications of a product. Registration benefits will continue even if there is a downward revision in the value of the contract at the time of final acceptance of the offer. Certain other desirable changes are also made to protect the genuine sub-contractor.

The value of the import of technical designs, drawings and other technical documentation and other facilities for type-testing of equipment has been increased from Rs. 1 lakh to Rs. 10 lakhs.

A new scheme, known as the Duty Exemption Scheme for Advance Licences, has been introduced for the import of 91 specified items.

Applications for the bulk advance licence can be made without reference to any specific export order, since, in such cases, there will be no export order at the time the applica-

tion is made. The applicant should indicate the value of the licence applied for and the items sought to be imported, as also the description of goods to be exported. The bulk advance licence will be issued for the value and the items as may be recommended by the DGTD (Director-General of Technical Development) and cleared by the Advance Licensing Committee under the Chief Controller of Imports and Exports. The licence will be subject to an export obligation. The licence-holder will be required to export goods of specified value and description within a stipulated period in discharge of his obligation. On the basis of such bulk advance licence, the licence-holder will be able to import the material for export production.

Imports from third countries upto 49 per cent will not be adjusted against a replenishment licence, provided:

(1) The amount representing the FOB value of the goods supplied from India for the execution of the project and the net foreign exchange earning anticipated on account of services like design engineering, erection, commissioning, etc., rendered in the project, taken together, is not less than 51 per cent of the total value of the project;

(2) The payment in respect of such imports is made directly to the supplier by the foreign project authority or the payment is made out of the advance amount received by the Indian party against the project in question; and

(3) The contract for the project stipulates such third country imports.

Invisible exports—such as erection charges on turnkey projects, consultancy and collaboration fees earned abroad, ship repairs, etc.—will now qualify for export performance for the purpose of grant of an Export House Certificate.

A consortium of small-scale units may be given facilities for setting up an "Export Group" if the average FOB (Free on Board) value of the exports of its member units in the prescribed base was Rs. 10 lakhs.

The new policy, as seen above, has many welcome features, one of the most important being the removal of the distinction between DGTD units and small-scale units. Both these sectors are entitled to automatic licences on the basis of past consumption. They also get supplementary licences so that industrial units, which had not operated at normal capacity in 1974 or 1975, may get adequate supplies of essential imported materials to achieve higher levels of production in 1976. Another welcome feature is the removal of a number of small, specialised items from the purview of the Canalising Agencies and which can now be imported directly by the actual users. Provision has also been made empowering Canalising Agencies to allocate supplies of imported materials to the actual users in respect of a number of critical items without a release order issued in their favour by the licensing authorities. There is, moreover, a provision to authorise imports of essential items by priority industries which are in short supply of the prices of which at home are higher than those prevailing in international markets. The new import policy therefore deserves the fullest support of industry, the exporters, established importers and other interests concerned.

Malpractices and Misuses

So far as the question of misuse of import licences is concerned, cases of misuse arose in the form of:

(i) Diversion of imported materials to purposes other than the sanctioned ones;

(ii) Unauthorised transfers of imported materials to other parties; and, in some extreme cases;

(iii) Procurement of licences to import commodities in short supply and sale of the latter as and when received at greatly inflated prices.

The new realistic import policy very much reduces, if not eliminates, the past malpractices and misuses.

During 1975-76, there was considerable improvement in the production and availability of power, coal and industrial inputs such as steel, aluminium, cement and agricultural

raw materials. The easier supply position at home, coupled with international recessionary conditions, has helped to overcome a situation of acute shortages in this country, as a result of which black-market premium prices for many commodities in short supply two years ago have rapidly disappeared. Administrative and other measures taken against smuggling and the liberalisation of the import policy and procedures have also put a premium on a more honest compliance with the legal requirements attached to the issue of import licences.

Import of items, which are *not normally permissible under the existing import policy, will be allowed under this liberalised policy.* Applications will be considered either against free foreign exchange, foreign exchange loans/sub-allocations from term financial institutions or bilateral credits. In considering these applications, the procedures of scrutiny from the angle of indigenous availability and clearance of Capital Goods Committee will be dispensed with. The capital goods so imported would be required to be actually installed in the industrial undertaking and will not be transferred to other parties.

Provision for Contingencies

The main objective of the licensing authorities is that materials which are imported under specific actual users' import licences or are released by the Canalising Agencies should be utilised by the actual users. The relevant provisions recognise that there may be *bona fide* cases where the holder of an import licence may not be in a position to utilise the imported materials or equipment after their arrival in India. They therefore permit the transfer of imported materials or capital equipment to other actual users or to the Canalising Agencies with the prior permission of the licensing authorities; and the temporary loan of such materials is also authorised. It is common knowledge that factors such as power shortages, financial stringency, demand recession may result in a cut-back of production of some industrial units or a closure of some other units. Such factors which are beyond the control of the industrial units concerned would

result in the inability of the industrial units to utilise the imported materials in their own units Such contingencies have been provided for in the relevant sections of the import control procedures. Apart from these provision, *bona fide* situations do exist or arise when an industrial unit may have to make available the imported materials to other users in the interest of maintenance and expansion of production. It is necessary that such situations are taken note of and an adequate provision made in the Import Control Regulations to meet the situations. Some of these are mentioned below:

(i) Some large industrial units have more than one plant at different locations in the country. It is possible that such a large unit may have asked for and secured an import licence for specific commodities in the name of one particular unit at a particular location. By the time the imported goods arrive, that particular unit may not be in full operation due to local difficulties or power shortage and similar other circumstances. There is no reason why this unit should not be allowed to transfer these imports for utilisation for the sanctioned purpose at another unit under its control at another location without the formality of seeking and obtaining the prior permission of the licensing authorities, which often involves considerable delay.

(ii) The development of ancillary industries is a major policy objective of the Government. A number of lage units may be in a position to support the development of ancillary units by extending to selected units the necessary technical and managerial know-how and guidance, including the supply of specifications and purchase of a fixed percentage of the output of the sponsored ancillary units. It is evident that for the efficient development of such units, the assistance to be given by the parent unit may have to include provision of scarce imported materials obtained by this

parent unit under import licences issued to it. The supply of imported materials to newly-selected ancillary units should not be treated as a transfer or misuse of imported materials by the parent unit.

(iii) Design engineering has not made substantial progress, though a number of reputed design engineering-cum-consulting firms are now in operation. The bulk of the work of design engineering firms consists of the preparation of the designs and specifications of particular items of equipment and machines, including a cost/benefit analysis of the eventual use of the designed machines; and these firms get their designs fabricated by other manufacturing units. Some firms have their own equipment and processes to offer also. Here, again, there should be no bar if the established, reputed and large-scale design engineering firms secure import licences for essential equipment, materials and spare parts and transfer these for utilisation by the outside manufacturing units which undertake fabrication work for these design engineering firms, the essential condition being that the imported items cannot be sold or misused.

(iv) The procedures laid down for seeking and obtaining permission for transfer or temporary loan of raw materials and equipment imported under specific licences appear to be sound and reasonable on paper. In practice, however, the parties involved experience inordinate delays in obtaining final clearances and, in some cases, the delays involve financial losses to the industrial units. It is, therefore, important that *bona fide* cases, which would call for transfers of imported materials or equipment, should be properly visualised and identified so that clear-cut guidelines are available for the implementing authorities and their discretionary powers are reduced to the minimum.

Cases in which the operation of the existing policy creates genuine hardship or where a strict application of the existing policy is likely to affect the export effort adversely may be considered on merits.

Basically, the import policy has now been oriented towards having more trust in the importer in that the Government has shifted the emphasis to post-shipment scrutiny instead of pre-shipment scrutiny which has been the guiding principle so far. This approach indeed reflects the Government's "trust in the country," as the Commerce Secretary, Shri Bose Mullick, rightly emphasised at his press conference.

In the final analysis, the new import policy, in the words of Prof. D. P. Chattopadhyaya, the Commerce Minister, "marks a bold step in the liberalisation of imports and simplification of procedures. It is hoped that the entrepreneurs will take full advantage of the facilities available in the import policy and contribute to the growth of industrial production and increase in exports."

WORKER PARTICIPATION IN INDUSTRY

S. D. PUNEKAR

The development of ideas relating to democracy and socialism, particularly after Independence, naturally led to experiments relating to worker participation in industry. The Bombay Industrial Relations Act, 1946, created the joint committees. The Industrial Disputes Act, 1947, provided for the works committees. Later, by 1957-58, an experiment with joint management councils was started. Now the Twenty-Point Programme stresses the need for "workers' participation in industries, particularly at the shop floor level and in production programmes" To implement this, the Ministry of Labour, Government of India, brought out, on October 30, 1975, "a scheme for workers' participation in industry at shop floor and plant level." The scheme is flexible and allows for variations to suit local conditions. The stress is on implementation through executive action, rather than through legislation, which may be considered after adequate experience has been gained. The scheme, however, provides guidelines and hence needs to be carefully examined. But before it is considered, it may be worthwhile to study the background, *i.e.*, the concept and scope of worker participation and also the earlier experiments conducted in the field.

Concept of Worker Participation

Worker participation in industrial management may be viewed through a variety of perspectives. It is industrial

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DR. S. D. PUNEKAR is Professor of Social Sciences, Tata Institute of Social Sciences, Bombay.

democracy in action, based on the principles of equity, equality and voluntarism. The bases of participation may be economic, psychological or social, depending upon the worker's contribution to the prosperity of the enterprise, his desire to be a partner in it and the concept that industry is a social institution wherein the employer, the worker and the community have equal interest. On these considerations, Dr. Mhetras defines "the concept of participation as a principle of democratic administration of industry, sharing the decision-making power by the ranks of an industrial organisation, through their proper representatives, at all appropriate levels of management, in the entire range of managerial action."[1] This concept, based on the principle of co-partnership in industry, is in contrast with the master-servant relationship, as well as with the State intervention in labour matters, normally through labour legislation and labour administration. The concept stresses the importance of industrial democracy, with maximum co-operation between management and labour and minimum State intervention. Decisions are taken by the two principal parties as equal co-partners. Gandhiji pleaded for this form of participation in 1937, when he said: "It is vital to the well-being of the industry that the workmen should be regarded as equals with shareholders and that they have, therefore, every right to possess an accurate knowledge of the transactions of the mills. If labourers are co-equal owners, their organisations should have the same access to the transactions of the mills as the shareholders."[2]

Though the concept is thus clear, some confusion arises in actual practice. The systems, methods and levels of participation differ from country to country. At the lowest level, participation may be in its mildest form, meaning only the willingness of the employer to negotiate with representatives of his employees on matters of routine

1. V. G. Mhetras: *Labour Participation in Management* (1966), p. 221.

2. *Harijan*, 13 February 1937.

factory interest. On the other side, in its extreme form, the participation may lead to workers' full control of the undertaking. It is remarkable that Gandhiji recommended such a radical step way back in 1947, when he advised certain employers, who were confronted with a strike of the workers, to withdraw, leaving the factory and management altogether in the hands of the workers themselves. He said: "My advice to the employers would be that they should willingly regard workers as the real owners of the concerns which they fancy they have created."[3]

In between these two extremes, workers' participation may take the form of joint committees for such functions as safety measures, social and cultural activities, welfare and mutual insurance work, production and productivity, personnel counselling, control of working conditions, auditing, profit-sharing, training, upgrading and promotions, recruitment and dismissals, selection and placement, financial control and management of industry. The earlier forms are non-controversial and the management would have no objection at all to the workers' participation therein. However, as we come to the later forms like recruitment and financial control, there may be reluctance on the part of the management to share the responsibility with workers.

Workers' participation may further be distinguished on the basis of its advisory or mandatory nature and its voluntary or statutory character. Participation in the United Kingdom and and Sweden is practised through joint committees having an advisory status and set-up by agreement between employers' and employees' organisations, without any legal compulsion. On the other hand, legal machinery for participation is set up in Belgium, France and Germany. Yugoslavia furnishes the extreme model of workers' control, where undertakings are run by the employees themselves, through an elected council and a management board. In the United States, workers seem to have no faith in such participation, legal or otherwise, on two grounds: first, they be-

3. *Harijan*, 31 March 1946.

lieve that running a concern is a management responsibility and workers should not take this unnecessary burden; and, second, they fear that any participation by workers in management would weaken their bargaining power.

In India, as we shall see later, we have different forms of participation. Works committees were statutorily set up under the Industrial Disputes Act, 1947, but their decisions were not binding. The joint management councils, set up on a voluntary basis, are also advisory in character. The shop council and the joint council, under the new scheme of the Government of India, are still outside legislation; however, their unanimous decisions are to be mandatory. All the decisions are on the basis of consensus (and not by a process of voting) and are binding on both the parties; they are to be implemented within one month, unless otherwise stated in the decision itself.

History of Participation

The Central Government's scheme for workers' participation in industry is not a new one, though it has some new features. If worker participation is considered as a form of labour-management co-operation, such co-operation in industry has been in existence for a long time, particularly in the public sector. However, it attained a statutory form with the works committees under the Industrial Disputes Act, 1947. Hence, it may be said that worker participation in India has been in existence for more than 25 years and its history may be traced from 1947. The National Commission on Labour gives details about the joint consultative machinery in public sector industries — for example, the Permanent Negotiating Machinery on the Railways (set up in 1952), the standing arrangements in Posts and Telegraphs, the Joint Negotiating Machinery in Defence Establishments and the Joint Consultative Machinery recommended by the Second Pay Commission.[4]

The acceptance of a "socialistic pattern of society" as the overall goal of planning in 1954 stressed the need and

4. *Report of The National Commission on Labour*, pp. 372-375.

importance of worker participation. In 1955, Shri Gulzarilal Nanda, as Chairman of the Indian Labour Conference, spotlighted the importance of participation of workers in industry. The Industrial Policy Resolution (1956) also asserted. "In a socialist democracy, labour is a partner in the common task of development and should participate in it with enthusiasm. There should be joint consultations and workers and technicians should, wherever possible, be associated progressively in management." The proposal found a clear statement in the Second Five-Year Plan (1956-1961) in the following words. "For the successful implementation of the Plan, increased association of labour with management is necessary. Such a measure would help in (a) promoting increased productivity for the general benefit of the enterprise, the employees and the community, (b) giving employees a better understanding of their role in the working of the industry and the process of production, and (c) satisfying the workers' urge for self-expression, thus leading to industrial peace, better relations and increased co-operation."[5]

The Plan recognised the need for a closer co-operation of workers with management in the interest of successful implementation of Plan projects and recommended the setting-up, in the first instance, of councils of management, consisting of representatives of management, technicians and workers in the larger industrial establishments. In order that a first-hand study may be available of many problems of detail which arise in giving effect to the above recommendation, the Government of India sent abroad a group led by the Labour Secretary, Shri Vishnu Sahay, to study the systems of worker participation in vogue in the United Kingdom, Sweden, France, Belgium, Germany and Yugoslavia. The study group submitted its report to Government in 1957 and it was accepted by the Indian Labour Conference (15th Session, Nainital, 1957).[6] The

5. *Second Five-Year Plan* (1956), p. 577 It may be noted that a milder term "association" was used, instead of "participation".

6. See article by K. N. Subramanian in the special issue of the *Indian Journal of Labour Economics*, July-October, 1959, on "Worker Participation in Management".

Conference did not feel the necessity of enacting any legislation, because the employers were willing to introduce schemes of worker participation in selected units on a voluntary basis. It merely appointed a tripartite sub-committee to consider the details of worker participation and also to select undertakings on certain criteria. The experiment started in 18 units and 19 other undertakings agreed to give the scheme a trial.[7] For the purpose of the experiment, joint management councils on voluntary basis, with representatives of management and of employees, were constituted. The Indian Labour Conference had also adopted in 1958 "a model agreement regarding establishment of joint councils of management," which provided the guidelines for concerns participating in the experiment of worker participation.

The Third Five-Year Plan (1961-66) reiterated the policy of associating labour increasingly with management and favoured the progressive extension of the scheme of joint management councils to new industries and units. The Plan believed: "Workers' participation may become a highly significant step in the adaptation of the private sector to fit into the framework of a socialist order. It can serve to bridge the gulf between labour and management, create better mutual understanding and facilitate the adoption, on both sides, of an objective approach towards the problems of industry and the workers.... For the peaceful evolution of an economic system on a democratic basis, it is essential that workers' participation in management should be accepted as a fundamental principle and an urgent need."[8] The Fourth Plan urged the extension of workers' participation to the public sector undertakings and emphasised its importance as an essential functional link in the structure of industrial relations. The Committee on Labour Management Co-operation (May 1961) reviewed the

7. For names of these units and details of the schemes therein, see K. N. Subramanian's article in *The Indian Journal of Labour Economics*, July-October 1959.

8. *The Third Five-Year Plan*, p. 254.

working of the joint management councils and recommended their development. The Government also decided to appoint workers' representatives on the Boards of Management of certain public sector undertakings. The Nationalised Banks (Management and Miscellaneous) Scheme, 1970, for example, provided for the appointment of one Director from among the employees.

This history of worker participation in management in India clearly marks two important institutional landmarks—the Works Committees (1947) and the Joint Management Councils (1958). Before the third landmark—the shop council and the joint council (1976)—is taken into account, the first two landmarks should be carefully evaluated.

Works Committees

Section 3 of the Industrial Disputes Act, 1947, requires an industrial establishment of 100 workmen or more to set up a works committee, if so directed by the State Government. The duty of the committee, as laid down in the Act, is "to promote measures for securing and preserving amity and good relations between the employer and workmen and, to that end, to comment upon matters of their common interest or concern and endeavour to compose any material differences of opinion in respect of such matters." These duties assign to the Works Committees functions of three institutions: (a) industrial relations machinery for better labour-management co-operation; (b) collective bargaining agency for the two parties; and (c) grievance redressal machinery. In addition, a Works Committee may serve as (a) a joint committee for welfare, safety and health; (b) a productivity committee to promote production; and (c) a training centre in industrial democracy to promote internal leadership among workers.

There are certain obvious restrictions on the functions of the Works Committees. For example, they cannot take the place of trade unions in the industrial relations field. To avoid any possible conflict between Trade Unions and Works Committees, the 17th Session of the Indian Labour Conference (1958) decided, on the basis of the recommenda-

tions of a tripartite sub-committee, to demarcate the functions of these two institutions. It gave two illustrative lists: (a) of items which Works Committees will normally deal with; and (b) of items which they will not normally deal with. In the first list, there are such non-controversial items of minor importance as conditions of work, statutory amenities, safety, festivals, welfare and fine funds, educational and recreational activities, thrift and savings. In the second list, outside the normal purview of the Works Committees, are such important items as wages, allowances, bonus, profit-sharing, rationalisation, fixation of standard labour force, planning and development, retrenchment and lay-off, victimisation, provident fund, incentives, housing and transport. The usual principle followed is that matters of collective bargaining should be dealt with by trade unions and matters only of implementation should be within the competence of Works Committees. This division, though desirable, incidentally reduced the importance of Works Committees *vis-a-vis* trade unions.

Other reasons for the failure of Works Committees have been: hostility of trade unions, which also try to get the allegiance of workers; lack of interest shown by workers; opposition by the middle supervisory personnel, who are not represented on the Works Committees; general indifference, though not opposition, by the management; and the lack of competence shown generally by the workers' representatives on the Works Committees.

According to the National Commission on Labour. "the general feeling among knowledgeable people in the country is that the committees have not proved effective." (*Report*, p. 342.) For its success, the Commission recommends a more responsive attitude on the part of management, adequate support from unions, proper appreciation of the scope and functions of the committees, wholehearted implementation of their recommendations and proper co-ordination of the functions of the multiple bipartite institutions at the plant level now in vogue. In 1965-66, only 3,133 Works Committees were set up, instead of 5,091 required to be set up. Accord-

ing to the *Indian Labour Year Book,* 1971, there were, at the end of 1971, 3,032 Works Committees, out of which 916 were in the Central sphere (p. 83).

There are also other statutory committees, besides the Works Committees. For example, under the U.P. Industrial Disputes Act, 1947, State Government undertakings employing 100 or more workmen and certain co-operative undertakings are required to form Works Councils. The Bombay Industrial Relations Act, 1946, lays down that Joint Committees are to be established to maintain a regular channel of employer-employee communication and to secure speedy consideration and removal of difficulties in the day-to-day work. In 1971, there were 66 Works Councils in U.P. and 149 Joint Committees in Maharashtra. Besides these statutory committees, there are a number of bipartite committees, such as production committees and accident prevention committees. On the whole, however, this experiment of joint consultation in industry, through Works Committees or Joint Committees, has met with failure. Despite this, the new scheme provides that Works Committees should continue to function as at present.

Joint Management Councils

The second notable experiment conducted in the field of bipartite joint consultative machinery was in the form of Joint Management Councils. These Councils were set up purely on voluntary basis on tripartite agreement without any legal sanction. Works Committees were to be constituted on a statutory basis, under the Industrial Disputes Act. The JMCs were outside the Act. According to the Draft Model Agreement regarding establishment of councils of management, it would be their endeavour (i) to improve the working and living conditions of the employees; (ii) to improve productivity; (iii) to encourage suggestions from the employees; (iv) to assist in the administration of laws and agreements; (v) to serve generally as an authentic channel of communication between the management and the employees; and (vi) to create in the employees a live sense of participation.

For the implementation of these objectives, the Councils have three sets of functions:

(a) *Consultation*: The Councils are to be consulted by the management on matters like general administration of Standing Orders; introduction of new methods of production and manufacture involving redeployment of men and machinery; and closure, reduction in, or cessation of, operations.

(b) *Information*: The Councils have the right to receive information, discuss and give suggestions on the general economic situation of the concern; the state of the market, production and sales programmes; organisation and general running of the undertaking; methods of manufacture and work; annual balance sheet and profit and loss statement; long-term plans for expansion; redeployment; and such other matters as may be agreed to.

(c) *Administration*: The Councils would be entrusted with responsibility in respect of the administration of welfare measures; supervision of safety measures; operation of vocational training and apprenticeship schemes; preparation of schedules of working hours and breaks and of holidays; payment of rewards for valuable suggestions received from employees; and any other matter that may be agreed to by the Joint Council.

It has been specifically stated that all matters, *e.g*, wages, bonus, etc., which are subjects for collective bargaining, are excluded from the scope of the Councils' functions. So are individual grievances. These exclusions are on the principle that the creation of new rights between employers and workers should be outside the jurisdiction of the Councils, as such matters are to be decided by union-management agreements.

Causes

The experiment of JMCs was not widely accepted in industry. Over the years, enthusiasm waned. The National Labour Commission reported the establishment of JMCs in about 150 undertakings in 1969 (*Report*, p. 345), whereas

the *Indian Labour Year Book,* 1971, gives the figure in 1971-72 as 80 (31 in the public sector and 49 in the private sector) (p. 83). In Maharashtra State, the experiment was started in 14 concerns, out of which it was discontinued in 13. Where they are successful, they result, in varying degrees, in better industrial relations, a more stable labour force, higher productivity, reduction in waste and higher profits and, above all, a much closer understanding between the management and the workers. The National Labour Commission categorically observes: "There does not appear to be much support for the institution of JMCs in their present form. Even where the Councils exist, they are reported to be ineffective and their functioning unsatisfactory in many cases." (*Report,* p. 345.)

What are the main causes of the failure of the Joint Management Councils? First, the failure was in their non-acceptance by big industrial concerns even in the public sector. Most of the concerns selected for this experiment were small-sized and as such they could not make any impact. Government could have used its large undertakings as laboratories for this experiment. Secondly, the JMCs had functions of minor importance and even there the decisions taken unanimously had no mandatory force. Minor functions often make the institution unimportant. Thirdly, participation was not properly defined. It was mostly at lower levels of health, safety, welfare and production. Fourthly, the spirit of participation was absent. Institutions were created without creating the necessary congenial and constructive climate, where each party would trust the *bona fides* of the other and would respect its rights. As a result, the JMCs were used as a platform where managements and trade unions showed distrust of each other; there were charges and counter-charges about deliberate delays in setting up JMCs, utilising them for their own ends, apathy and indifference, shirking responsibility and unnecessary intervention in labour matters by the State.

The New Scheme

Against the background of this earlier experience, "the scheme for workers' participation in industry at shop floor and plant level" may be examined. The factors which led to the failure of the Works Committees and Joint Management Councils have to be avoided to ensure the success of the new schemes.

The present scheme has been kept "flexible so as to allow variations to suit local conditions and hence will be implemented through executive action."[7] However, Government's Resolution, relating to the new scheme, states that legislation would be considered after adequate experience has been gained. Normally, legislation implies some coercion from a third party, and hence is inimical to industrial democracy.

The scheme initially applies to "manufacturing and mining industries" and thus excludes many sectors, particularly services. It also applies to units having 500 or more workers. The Works Committees were for industrial establishments with 100 or more workers, whereas the Joint Management Councils were voluntarily set up in units, most of which had less than 500 workers.

In the Twenty-Point Programme, emphasis is "particularly at the shop floor level" and hence the shop council is a step in the right direction. Both the Works Committee and the Joint Management Council dealt with the problems of the whole unit and thus indirectly neglected the shop-floor problems. The new scheme envisages worker participation right from the shop floor.

The role of recognised trade unions (or the various registered trade unions) in the election of employees' representatives is not clear and may lead to inter-union conflict. Similarly, the practice of taking all decisions on the basis of consensus (and not by a process of voting) may generate difficulties, particularly when some of the employees' representatives decide to take a rigid stand.

A happy feature is that the decisions of the Council would be implemented within a month. The failure of Works Committees and Joint Management Councils was partly due to the fact that even their unanimous decisions were not mandatory.

The functions of the Shop Councils relate to production and productivity, absenteeism, general discipline, health, safety, welfare and working conditions. Collective bargaining issues are excluded from the scope of the functions of shop councils. The Joint Councils, which are to deal with matters relating to the entire unit, have broadly the same procedures and functions as those of the Shop Councils.

Composition

In view of the considerable diversity in the situation prevailing from unit to unit in different industries and also in departmental undertakings and public enterprises under the same Ministry of the Central Government, no uniform pattern for the constitution of shop councils, particularly relating to the representation of workers, could be laid down. Hence, the Government Resolution recommends that the management, in consultation with the workers, should evolve the most suitable pattern of representation so as to ensure that the representation of the workers results in their effective, meaningful and broad-based participation.

Communication

The Government of India attaches great importance to communication, for its Resolution states: "For any scheme of workers' participation to succeed, there must be an effective two-way communication and exchange of information between the management and the workmen. It is only then that the workers would have a better appreciation of the problems and difficulties of the undertaking and of its overall functioning. With this end in view, each unit should devise a suitable system of communication within the undertaking.

Implementation

The National Press Agency, *Samachar,* recently conducted a national survey regarding the implementation of the worker participation scheme and found that nearly two and a half million industrial workers were covered by it. The scheme was applicable to 1,795 units, of which 1,249 implemented it by the end of October 1976. (See Table 1.)

Table 1

STATEWISE PROGRESS OF IMPLEMENTATION OF THE SCHEME OF WORKER PARTICIPATION IN INDUSTRY UPTO 31st OCTOBER 1976

State	*No. of units to which Scheme is applicable*	*No. of units in which the Scheme has been implemented*
Andhra Pradesh	210	119
Assam	11	10
Bihar	111	122*
Gujarat	181	149
Haryana	44	43
Himachal Pradesh	2	2
Jammu & Kashmir	2	1
Karnataka	40	30
Kerala	N.A.	21
Madhya Pradesh	47	46
Maharashtra	301	109
Manipur**	—	—
Nagaland	N.A.	N.A.
Meghalaya	N.A.	4
Orissa	95	67
Punjab	57	57
Rajasthan	37	35
Sikkim**	—	—
Tamil Nadu	217	191
Uttar Pradesh	160	155
West Bengal	280	88
Tripura**	—	—
Total	1795	1249

Note: There was no scheme for worker participation in industry prior to July, 1975.

* Also includes units employing 300 workers.

** There is no unit to which the scheme is applicable.

The workers, who have been brought under the purview of the scheme, belong to such industries as steel, aluminium, copper, fertilizer, mica, cement, textiles, paper, sugar, footwear, jute, glass, firebricks and engineering.

The Centre advised the State Governments to introduce the scheme on a voluntary basis in industrial units having 500 or more workers. Some of the State Governments went a step further and asked industrial units with 200 workers to implement the scheme. Punjab and Karnataka have made the scheme applicable to concerns with 200 and 300 employees respectively.

Plant-level, shop- and floor-level committees and joint management councils have been set up in all the organisations where the scheme has been introduced. There was some delay in some places in the appointment of the committees, but it was more due to the multiplicity of trade unions in an establishment than anything else, according to workers' representatives.

Workers' representatives were mostly chosen by mutual consent of trade unions and industrial units and not by elections. Labour leaders said since there was more than one trade union organisation in most of the major industrial undertakings, it was thought better to select representatives by mutual consent than by elections.

Trade unionists said there was lukewarm response from some sections of private-sector industries, particularly the jute industry in West Bengal.

There has been a substantial evidence to show an improvement in the monthly earnings of an industrial worker during January and June 1976 compared to the corresponding period in 1975. The man-days loss, which was colossal before the proclamation of the emergency, has been reduced considerably in most of the States.

According to some management experts, the scheme has given a fresh confidence to the worker and infused a new spirit in him. His approach towards his day-to-day problems is becoming more mature and purposeful than before.

"The scheme has given him a sense of responsibility and belonging. A worker today understands the meaning of a strike, a lockout or a lay-off better than he did at any other time. He knows today that each strike, lay-off or lock-out means less food, fewer clothes and reduction in other necessities of life for him and his family," a management expert remarked.

Labour ministers, labour commissioners, trade unionists and labour leaders unanimously agree that the scheme has opened new avenues in the life of industrial workers, giving them the courage of conviction and reminding them of their duty towards the country, the community and society.

Bihar leads in the implementation of the scheme as it has brought nearly half a million workers under its purview. Gujarat is the only State where the scheme has been made compulsory by legislation.

The States in which the scheme has been effectively implemented are Bihar, West Bengal, Madhya Pradesh, Maharashtra, Punjab, Karnataka, Haryana and Tamil Nadu. The implementation in other States was reported to be rather slow.

On the whole, the new scheme has certain additional and welcome features, such as the mandatory nature of the decisions of Shop and Joint Councils, a clear statement of the functions of these Councils and the introduction of participation at the shop floor level. Otherwise, the framework is not materially different from that of the Works Committees and Joint Management Councils.

Against the background of the emergency, some progress in the implementation of the scheme has been noticed. The Central Labour Minister, while addressing a seminar in Chandigarh on May 15, 1976, observed that the scheme "has been working in 140 units in the private sector." (*Indian Express*, Bombay, May 17, 1976). In the public sector, Councils have been formed in five out of the eleven

production units under the Department of Industrial Development. They have also been formed in some of the big public sector concerns like the Fertilizer Corporation and Indian Oil. This is a good augury for the future and should pave the way for a more effective and fruitful participation of the workers in industry. On the recommendation of the Swaran Singh Committee, the following Article (43A) was inserted in the Constitution (Forty-fourth Amendment) Bill, 1976 recently approved by Parliament:

"43A. The State shall take steps, by suitable legislation or any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry."

In this connection, it may be mentioned that Government has decided to extend scheme of worker participation in industry to commercial and service organisations in the public sector as well, including hotels, hospitals, air, sea, railway and road services, ration shops, schools, municipal and milk distribution services, tourist organisations, all financial institutions, banks, insurance, P. & T. offices, State electricity boards, food corporations and similar institutions. While announcing the Government resolution to the press, the Central Labour Minister stated that the scheme has already brought definite improvement in production, productivity and industrial relations. It will now be applied to the lowest operating unit of a commercial or service organisation, employing at least 100 persons; for example, in the case of a hotel, shop councils can be set up for kitchen, service and hospitality sections. The functions of the shop and joint councils were enlarged by the addition of two more functions, namely, co-operation with management in eliminating pilferage and discussion of any matters which might have a bearing on the improvement in the performance of the undertaking.

According to the Labour Ministry's information, so far 472 public sector establishments have either implemented or initiated steps to implement the scheme; these include 247 establishments in the mining sector, 188 in the manufacturing industries and 37 departmental undertakings.

FREE MOVEMENT OF ROAD TRANSPORT

K. MEENAKSHISUNDARAM

The Twenty-Point Programme has brought into sharp focus our economic and social priorities. Transport, which is an essential ingredient of the infrastructure for all development purposes, has received its due share of importance.

Two objectives are listed in respect of transport in the Twenty-Point Programme. They are: (1) to remove constraints on the movement of goods by trucks and, towards that end, (2) to introduce a system of national permits for truck transport.

Few, save those directly involved in road transport, would appreciate that this marks a major departure from the traditional policy. The Government of India promulgated the Motor Vehicles (Amendment) Ordinance 1975 (No.14 of 1975) on September 25, 1975, under which national road permits for haulage of long-distance inter-State goods traffic by road would be issued.

We have, indeed, travelled a long way from the restrictive approach of the Motor Vehicles Act as conceived in the thirties. But constraints like poor roads, octroi, heavy tax burden, etc., still survive.

In this paper, we trace the origins and development of road transport regulation in order to achieve the right perspective on the problem. We also enumerate the constraints that peg down the contribution of road transport

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SHRI K. MEENAKSHISUNDARAM is Executive Secretary, Bombay Goods Transport Association, Bombay.

to the economy. Then an appreciation of the national permits and a constraints-free road transport in the overall context of the Twenty-Point Programme is presented. Towards the end, taking up all the threads together, ingredients of a coherent policy are identified.

Background of Road Transport

Till the outbreak of the Second World War, motor transport had not really reached the masses, although the first motor vehicle had been imported into India as early as 1898.

By 1938-39, there were 12,397 goods vehicles and 23,645 buses in British India. The total number of goods vehicles increased from 84,013 in 1951-52 to 3,35,453 as on 31-3-75, an increase of nearly 300 per cent in twenty-five years. Currently, approximately 1,05,000 buses and 3,65,000 trucks are estimated to be operating on our roads.

The road transport industry carries nearly 50 per cent of the passenger traffic and around thirty per cent of the goods traffic. Directly and indirectly, it provides employment to over 5.3 million persons. Its importance in the economy of the nation cannot, therefore, be minimised.

Regulation of Motor Transport

The Motor Vehicles Act of 1914 was the first all-India enactment for controlling motor vehicles. A short Act of 18 sections only, it made no distinction between different types of motor vehicles, nor did it make any attempt to restrict their free movement. It only provided for the registration of vehicles, the licensing of drivers, punishment for reckless driving, and conferred powers on local governments to regulate the use of motor vehicles.

But as the number of motor vehicles increased, the need for adequate regulation and control began to be felt. A number of Provincial Acts were framed in the meanwhile, and these necessitated codification. Recognising the need for a comprehensive basic law for the road transport industry, the Motor Vehicles Act was passed in 1939, which

required all transport vehicles to obtain permits, either for a region or for a specific route, from the relevant Authorities constituted under it. The Act, moreover, created an elaborate machinery for the administration and control of road transport which continues up to the present day.

The main objectives of the Act were : (a) to codify and bring up to date the law regulating motor transport in India; and (b) to make possible co-ordination of various forms of transport. This Act required all transport vehicles to obtain permits from authorities constituted under the Act and to operate only in accordance with the conditions mentioned therein.

Important Provisions

A State Transport Authority is expected (a) to co-ordinate and regulate the activities of Regional Transport Authorities and to perform the duties of a Regional Transport Authority where there is no such Authority (*e.g.*, Union Territory); (b) to settle all disputes between or among Regional Transport Authorities; and (c) to discharge such other functions as may be prescribed.

A Regional Transport Authority is empowered to grant and countersign permits for all types of transport vehicles. It is an offence to use or allow the use of any vehicle in a public place, unless it is covered by a permit granted or countersigned by an RTA or STA. The permit specifies not only the route or area of operation but also the manner in which the vehicle is to be used, whether as a stage carriage, or contract carriage, or private carrier or public carrier. Permits for stage carriages are generally issued for specified regions. Permits may specify the type of vehicle to be used, its carrying capacity, the rates of fare or freight to be charged. Any breach of these requirements will render the permit liable to suspension and even cancellation.

In order to achieve co-ordination between rail and road transport, the Act also empowers State Governments to prohibit or restrict long-distance movement of classes of

goods by public or private carriers. Under the provisions of the Act, goods vehicles are not allowed to operate outside the region in which they are registered.

Plea for Liberalisation

By 1945, the so-called "wasteful competition" between rail and road transport was very much a topic of public discussion. There were pleas from the Railways for the adoption of suitable principles for the regulation of road transport. It was stated that long-distance goods traffic should be "reserved" for the Railways. Road transport, it was contended, was better adapted to short-distance haulage.

In April 1950, a Code of Principles and Practice was drawn up at the instance of the Central Board of Transport and circulated among State Governments, with the suggestion that it should be implemented.

A number of State Governments, however, did not formally accept the Code, although in practice most of them continued to impose a variety of restrictions, particularly restrictions on distance.

In the mid-fifties, it was felt that these restrictions were impeding the growth of road transport. The State Transport Commissioners, therefore, made a series of recommendations in 1975 for a substantial liberalisation of licensing policies. These included the following:

(1) Permits should be given to whosoever had a serviceable vehicle;

(2) Goods transport vehicles should be allowed to operate freely within a State; and

(3) The Code of Principles and Practice for the regulation of motor transport should be suspended for a period of five years, after which the matter should be reviewed.

These recommendations were considered by the Ministries of Transport and Railways and the Planning Commission. They conveyed the following proposals to the State Governments in June 1959:

(a) Permits for public carriers should be issued freely for distances of 300 miles or for regions within a radius of up to 150 miles;

(b) In respect of inter-State permits for distances beyond 300 miles, if the local railway administration raised an objection against the issue of such permits, the matter should be referred to the Inter-State Transport Commission; and

(c) Even in respect of permits for intra-State routes exceeding a distance of 300 miles, State Governments should consult the Inter-State Transport Commission, if the railway administration concerned objected to the issue of such permits.

The above proposals would have been really effective if the Inter-State Transport Commission, set up after an amendment of the Motor Vehicles Act in 1956, had really been clothed with all the powers that Parliament had legislated for.

National Permits

The objectives of the amendment were: First, to remove certain defects observed during the working of the Act; secondly, to ease some of the restrictions which were holding up the progress of the road transport industry; thirdly, to provide a legislative basis for the nationalisation of road transport service; and lastly, to facilitate inter-State movement of road transport.

The restricted issue of permits, constraints on distance limits and frequent wagon shortages prompted a reconsideration of official policy. Temporary permits, for which the procedure laid down in Section 57 was not required to be followed, were therefore generously issued. For example, it has been revealed that in 1973-74 alone, 19,196 goods vehicles, plying on inter-State routes and representing 34.4 per cent of all public carriers, were covered by temporary permits.

This is the framework of the regulations that have governed road transport. Under the Twenty-Point Programme,

a target of 5,300 has been fixed for these national permits. The permit-holder will have to pay the usual taxes to the "home" State, and a composite fee of Rs. 700/- annually for each State (Rs. 150/- for each Union Territory), through which he operates.

He will also have to pay to the home State an authorisation fee at a flat rate of Rs. 500/- per annum for each permit, irrespective of the number of States chosen for his operation. According to a Government release, while granting permits, care would be taken to avoid concentration in a few hands and to ensure wider distribution. Permits would also be issued to new entrants such as unemployed drivers and ex-army personnel having a valid licence. Of the national permits, 50 per cent would go to those already holding inter-State zonal permits, 25 per cent to those holding inter-State permits, and the remaining to new entrants. Any individual having 3 zonal or national permits and any company having 7 such permits would not be granted a national permit over and above that number.

In this connection, it may be mentioned that the Operations Research Group, Baroda, carried out a study which disclosed that in terms of value, 67 per cent of our export cargo moves by road and hence the Group called for the issue of 10,000 All-India "green permits" for trucks, which would then be free to move on the National Highways and within 50 kms from them for the delivery and pick-up of cargo throughout India without let or hindrance. The national truck permits issued under the Twenty-Point Programme fulfil this real need for the transport of export cargo.

It may also be pointed out that, among those who have already been issued national permits, few seem to have opted for even half the number of States and Union Territories. With a view to ensuring that national permits achieve an operationally national status, incentives may be given by way of rationalised authorisation fees. Under the present arrangement, an operator has to pay Rs. 3,300, besides the usual tax in the home State, if he opts to operate through

5 States, including the home State. It may be better to prescribe a standard fee of Rs. 5,000 for operation in 10 States and Rs. 8,000 for operation in the entire country. If this is done, then, out of the enhanced receipts from these fees, the Central Government may offer subventions to the concerned States. In this way, higher tax revenues will be mobilised and the national permits will become not only fully productive but truly national as well.

It is also imperative that under the national permits, only public carriers in excellent conditions and with capacity for economic pay-loads should be allowed to operate. Every driver of a public carrier under the national permit should have an accident-free record for at least five years and should be proficient in two or three Indian languages. Our experience in this field will then pave the way for Indian units to participate in International Road Transport. Sooner or later, Indian vehicles will have to ply upto Teheran. In fact, one of the objectives of the Asian Highway programme is to promote and facilitate such traffic. The present national permits scheme provides a historic opportunity for gaining experience for this purpose.

However, at a meeting which the Indian Federation of Transport Operators had with the Ministry of Transport and Shipping, Government decided to issue only 5,300 national permits to begin with against the Federation's demand for 10,000 on the following basis:

(a) State/Union Territories with a goods vehicles population of 5,000 or more	250 permits each
(b) States with a goods vehicles population between 1,000 and 4,999	200 permits each
(c) States/Union Territories with a goods vehicles population of less than 1,000	50 permits each

The figures, which were made available at the recent meeting of the Transport Development Council, are reveal-

ing in that they indicate that nearly 35 per cent of the 5,300 national permits have not been utilised by the States and Union Territories (See Table 1).

Important Issues

This non-utilisation has led to a gap between traffic needs and the regular permits issued which, in turn, has led to the allotment of a substantial number of temporary permits with a view to preventing undue competition within the road transport industry itself. This was sought to be achieved through restrictions on the number of motor vehicles allowed to operate in any region and limits on the distance over which they were permitted to operate. From this it is evident that the question of co-ordinating road and rail transport in positive and operational terms or matching rail development with road transport development did not receive adequate attention.

There were important issues which also seemed to receive scant consideration. A vast increase in road transport services with a view to integrating the large rural sector of the economy with urban and industrial sectors was a critical need that was neither fully identified nor tackled with special effort. For several years, limitations relating to the supply of vehicles are likely to thwart the even development of the transportation network. Special measures to meet the transport requirements of underdeveloped and backward regions as well as of the rural areas have to be devised. The regulation of road transport must, therefore, be considered as a tool of planned and co-ordinated development. Certainly, it is not a restrictive device to limit the rate of growth to suit the immediate problems of the century-old Railways.

The Committee on Transport Policy and Co-ordination has pointed out that the system under which the States have to negotiate and bargain with one another to determine the number of permits each may issue to its own operators is bad in principle and proves even worse in practice. Happily, this stalemate was broken by the announcement

Table 1

STATEWISE PROGRESS IN THE ISSUE OF NATIONAL PERMITS — UPTO 31-10-1976

State	*No. of Permits allotted*	*No. of Permits issued*
Andhra Pradesh	250	219
Assam	250	62
Bihar	250	178
Gujarat	250	250
Haryana	250	248
Himachal Pradesh	200	200
Jammu & Kashmir	250	**
Karnataka	250	241
Kerala	250	223
Madhya Pradesh	250	250
Maharashtra	250	102
Nagaland	50	5
Meghalaya	50	20
Orissa	250	131
Punjab	250	250
Rajasthan	250	239
Sikkim	50	**
Tamil Nadu	250	222
Tripura	200*	23
Uttar Pradesh	250	233
West Bengal	250	207
Union Teritories		
Manipur	50	**
Chandigarh	50	16
Delhi	250	150
Goa, Daman & Diu	250	24
Pondicherry	50	5
Arunachal Pradesh	50	1
Mizoram	50	2
Total	5,300	3,501

* Out of permits allotted, Tripura has since surrendered 150 permits to the GOI.

** No permit issued so far.

Note: Due to increase in the demand for National Permits from the various States, the total number of permits to be allotted by the GOI has since been raised from 5,300 (including those allotted to UTs) to 8,050.

regarding the issue of national truck permits by the Prime Minister in her Twenty-Point Programme. Road transport must shed other self-imposed limitations and utilise the present framework of laws to achieve a speedy economic development. But there are other constraints on road transport which must be identified and got rid of before it may play its rightful role in developing the economy of the nation.

Poor Roads

The basic thrust of the Twenty-Point Programme is to remove these constraints, and the national truck permit is an instrument of such a policy. But this by itself will not free road transport of such constraints as poor roads, octroi, detention at numerous checkposts all over the country, and heavy tax burden.

Let us take the question of roads. Though most parts of India are linked by one million kilometres of roads, only half of these constitute surfaced roads. We have, as a matter of fact, a surfaced network of hardly 5 lakh kilo metres of roads. Per 100 sq. kms, India has only 15 kilometres of surfaced roads in contrast to France, Japan, Germany, Switzerland and Ceylon, which have 144.23, 276.87, 157.28, 146.77 and 58.37 kilometres respectively. (See Table 2.)

Modern motor vehicles are engineered to operate on a modern system of cement concrete or asphalted roads. A poor road system entails a needlessly high consumption of fuel and spare parts, and shortens the life of a vehicle. According to the Keskar Committee, about Rs. 200 crores worth of excess fuel and spare parts are used up on our roads. In view of the fact that we have a well-developed indigenous automobile industry with supporting ancillaries and manufacturing industries, there is no justification for neglecting the maintenance of our roads and wasting scarce petroleum products and spares. According to an estimate, spares production by the ancillary manufacturers in other countries is just about 10 per cent of their original equipment production. In contrast, ancillary manufacturers in

India have to allot 25 per cent of their original equipment production to meet the spares market.

Poor roads also hike up the costs of road transport. In a poor country, where transport costs play a leading role in the location of industries and ultimate decisions in respect

Table 2

DENSITY OF ROADS AND MOTOR VEHICLES IN SELECTED COUNTRIES

Countries	*Road Length in Kms Per 100 sq. Km.*		*Number of Motor Vehicles Per*	
	Surfaced	*All Roads*	*Km. of Roads*	*100 Sq. Km of Area*
India	15.01	36.16	1 8	62 0
Ceylon	58.37	64.39	—	—
Japan	276 87	276 87	26.3	7284.5
France	144.23	144.23	26.5	3824.3
Germany	157.28	794.60	40 1	7199.8
Switzerland	146.77	146.77	38.5	5696.4
United Kingdom	138.04	138 04	45.7	6308 8
U.S.A.	51.27	64.60	20.2	1307.5

of new industrial projects, it is essential that transport costs are neutralised through appropriate subsidies or, better still, a bold infrastructure development programme. Bearing this in mind, the Twenty-Point Programme calls for the removal of constraints on road transport. If we remove the constraint of poor roads and develop an efficient network, we shall carry development further and more swiftly into the interior. Again, the concept of a modern roads system with ideal geometrics, adequate sight-distances, eye-catching arboriculture and other desirable features will go a long way towards accelerating economic growth and road transport development programmes. By its very nature, road transport distributes jobs, wage incomes, and self-employed earnings over a wide area, and mobilises resources and tax payments in a large measure. On the basis of the current rates of taxation, the public exchequers of the Centre and of the States receive nearly Rs. 1,200 crores per annum by way of tax revenues from road transport. Out of these,

not even a third is ploughed back into the road system. By neglecting the development of our roads, we are, according to the Chief Engineers' Road Development Plan, 1961-81, allowing huge backlogs to accumulate. These backlogs represent a fraction of the tax revenue and other benefits which have already accrued to the country. It has been estimated that for every rupee invested in roads, the nation gets back Rs. 3.00 in the shape of tax. Moreover, investments in roads save travel time, increase travel comfort and widen and deepen employment opportunities thrown up by the economy.

Lack of Funds

The main cause of our poor road system is reported to be lack of funds. Under the present arrangement, the tax revenues from road transport flow into the general exchequer. After allotments for all development activities have been made, allocations for roads are provided from the leftover funds. It is true that all tax accruals from a particular industry cannot be spent entirely on that industry; yet it is good sense to ensure that tax-fertile activities receive adequate funds for their expansion. From the practical point of view also, a reasonable proportion of tax revenues from road transport should be earmarked for expenditure on road programmes. To begin with, this proportion may be fixed at 60 per cent of all tax accruals to public authorities from road transport. In order to execute road programmes, there is also the need to revamp the present set-up of the Central PWD and State PWDs. All arterial routes—comprising of national highways, State highways and major district roads — must come under the jurisdiction of a National Roads Authority with an assured availability of funds.

Heavy Taxation

Another major constraint experienced by road transport is the incidence of a very high cumulative tax burden. The Road Transport Taxation Enquiry Committee under the chairmanship of Dr. B. V. Keskar came to the inescapable

conclusion that the tax element in the cost of operation "has become a definite disincentive to the healthy development of road transport."

The Motor Vehicles Taxation Enquiry Committee, 1950, declared that "the motor vehicle user in India is perhaps the highest taxed in the world." The Committee recommended a liberal transport policy, which had been adopted by the League of Nations in 1933. This transport policy defined the function of the State as not "to maintain the *status quo* or to favour one means of transport at the expense of another but to create the requisite conditions for securing maximum efficiency of all means of transport and to further its evolution in the interest of the general welfare of the community and of technical progress."

Subsequent to the Keskar Committee's report, however, tax rates have been hiked up by several authorities from time to time. The Committee, which examined this problem in relation to 15 criteria, noted that the tax content in the cost of operation of a truck was about 36 per cent. This may be compared with the tax element in the cost of operation of 5 per cent in the United States in 1963 and 17 per cent in the United Kingdom. In India, the revenue derived from all taxes affecting motor vehicles was estimated to be Rs. 380 crores in 1965-66 against only Rs. 47.37 crores in 1950-51. Currently, it is of the order of Rs. 1,200 crores.

According to the Eastern Region Transport Survey (1964-65), taxes as a proportion of turnover amounted to 22 per cent in the case of road transport against zero per cent for Railways, 8 per cent for coastal shipping and one per cent for overseas shipping. This implies that while other modes of transport are taxed lightly or not at all, road transport is the victim of a very heavy tax burden. The tax elements in the cost of operation of road transport work out to 6.83 paise per tonne mile, which exceeds the average freight rate charged by the Indian Railways. So the cumulative impact of taxation on road transport has been to act as a disincentive to its rapid and healthy growth.

Impartiality

Notwithstanding controversies over the public and private sectors, the Planning Authority has generally maintained a refreshing pragmatic approach because, after all, all property constitutes the wealth of the nation and must, therefore, make a reasonable contribution to the public exchequer, unless justified by other economic and social considerations.

In the past, when the Britishers ruled India and the Railways were owned by British Companies, road transport was considered a nationalist sector operating against the Colonial Government. After Independence, when the Railways came under the public sector, road transport services, particularly goods vehicle operations, continued to be mostly in the hands of private operators.

In this connection, the Keskar Committee has pointed out that, "considering (a) the developmental role of road transport; (b) that we have an enormous backlog in respect of roads which has to be made up in the immediate future; and (c) that roads can be rightly considered as an essential service at par with education and health, the expenditure on road maintenance and improvements need not be restricted to the revenues collected from the road transport industry. If India is to benefit from the contribution which road transport can make to economic and social development, then there is no escape from earmarking considerably more funds for the development and better maintenance of roads than is being done at present."

Since the Keskar Committee Report, however, the tax burden has increased by over 50 per cent. With the compulsion to generate more and more revenues for development purposes and to meet the energy crisis, pleas for reduction in tax on road transport do not appear to be as valid as they were in the past. But as commercial road transport serves the public and carries a wide range of mass consumption goods, a frequent increase in tax rates would only promote inflation. Since poor roads lead to the

consumption of more petroleum and petroleum products, it is evident that a good road system would make its own contribution to the solution of the energy crisis by reducing its consumption.

Octroi

Yet another major constraint on road transport is the levy and collection of octroi duties in some States. Octroi is a local tax levied on goods for consumption within the jurisdiction of a local body and is in operation in Gujarat, Jammu and Kashmir, Maharashtra, Mysore, Punjab, Haryana, Uttar Pradesh and Orissa. The assessment of octroi is made either on weight or on *ad valorem* basis. Each local body has its own separate schedule describing the various goods and the rates at which they are to be assessed. There is, of course, no uniform classification or set of rules. Theoretically, the levy is on the owners of goods, *i.e.*, the consignors; in the case of goods carried by motor vehicles, it is the transport operator who is held responsible for the payment of octroi as the agent of the consignee. The vehicle carrying goods stops on the outskirts of a local area, where the local authority has a checkpost. The driver declares to the octroi clerk all the particulars of the goods carried by him. If the clerk is satisfied with the declaration, he makes an assessment on that basis and collects duty from the operator.

If the entire contents of the truck are the same commodity and consigned to a single person, the procedure of assessment is simple and quick. If there are several consignees to whom the goods are to be delivered and/or the packages in the truck are of different commodities, the detention time proves to be usually longer. Moreover, vehicles operating on long-distance routes have to pass through the jurisdiction of a number of such local bodies in the course of a single trip; and though the tax levied at one octroi checkpost is refunded at the next exit checkpost after making sure that no clandestine disposal of the goods has taken place within municipal limits, the procedure never-

the less causes great hardship and harassment, and a new class of middlemen, known as octroi collectors for obtaining refunds, has come into existence in several towns. Alternatively, the vehicles in transit are allowed to cross the municipal limits on payment of a transit fee. According to the Keskar Committee, the octroi collection staff are not only low-paid but are also generally ill-educated. They cannot, therefore, be expected to work with speed and efficiency, and are also easily exposed to temptation.

Vexatious Detentions

A survey conducted by the Keskar Committee has revealed that, on an average, one-third of the travel time of a vehicle is accounted for by many detentions on important inter-State routes. These detentions place a heavy economic burden on road transport and increase its total cost of operation. What is worse, the national economy is denied the benefit of a speedy and quick turnaround. In an effort to quantify the loss, the Keskar Committee discovered that road transport was losing Rs. 8.2 crores per annum by way of lost time from detentions at octroi posts. The other disadvantages of octroi are corruption and the hight cost of collection.

The Keskar Committee has therefore suggested the imposition of a (1) surcharge on sales tax, (2) municipal sales tax or municipal surcharge on sales tax, (3) municipal turnover tax, and (4) other complementary levies as substitutes for octroi. To facilitate the free movement of goods by road, Madhya Pradesh has abolished the octroi—the first State in India to have done so, following the announcement of the Twenty-Point Programme. This was done because the State was convinced that octroi was not only a barrier in the free movement of road transport but was also responsible for evasion of tax and petty corruption. Madhya Pradesh has thus blazed the trail which other States would do well to follow.

The hesitation of State Governments and the opposition of local bodies to the abolition of octroi stem from the

fear that any substitute levy may not be a satisfactory levy. Devising a single perfect substitute tax is, of course, beyond human ingenuity. But that is no reason why a welcome reform should be held up. Minor re-adjustments in shared taxes, grants and a near-perfect substitute for octroi will fully meet the loss of revenues resulting from its abolition. Also, there is an imperative need for the Central Government to give a lead by replacing octroi with a suitable combination of a substitute tax and supplementary grants in the Union Territories and in States under President's rule. This is essential, for when octroi disappears, the utilisation of vehicles will go up by 30 per cent, which alone will ensure an additional inflow of tax revenues of not less than Rs. 200 crores to the Central and State exchequers.

Conveyor Belt

The Twenty-Point Programme is a programme of action in that it aims at increasing agricultural and industrial production, enlarging and widening employment opportunities and bridging the supplies gap in essential commodities. A constraints-free road transport would make a positive contribution to the attainment of these objectives, and would emerge as a massive conveyor belt of the nation, moving all over the sub-continent millions of tonnes of industrial and agricultural inputs and outputs. Modernisation of road transport is, therefore, a condition precedent to the modernisation of agriculture.

Significantly enough, a worthwhile programme of road transport will not entail any additional expenditure. The issue of national permits and the removal of constraints on road transport will open up the floodgates of tax revenues and self-employment. This fact alone should call for the elimination of all constraints and a speedy issue of national permits. It is essential that progressive political forces should act as pace-setters and liberate themselves from the mental grooves of the past. In a way, this is a condition precedent to the success of the entire Twenty-Point Programme.

INCOME-TAX RELIEF FOR MIDDLE-INCOME GROUP

HARNAM SHANKAR

The latest budget constitutes a landmark in the history of taxation in recent years and furthers the objectives underlying the Twenty-Point Programme initiated by the Prime Minister by providing reliefs in taxation to income-tax. The budget also gives an impetus to savings, thereby helping in containing inflation. The rates of income-tax have been lowered at all levels. The limit of the lowest income not subject to tax in the hands of individuals and Hindu Undivided Families has been raised from Rs. 6,000/- to Rs. 8,000/-. Not only the exemption limit has been raised and the rates of tax lowered, but various other reliefs have also been made available to taxpayers in the middle-income group.

Persons who draw income from "salary" are allowed deductions, *inter alia,* in respect of incidental expenditure calculated at the rate of 20 per cent of such salary where the salary does not exceed Rs. 10,000/-, and where it exceeds Rs. 10,000/-, deduction is allowed of Rs. 2,000/- plus 10 per cent of the amount by which the salary exceeds Rs. 10,000/-, or Rs. 3,500/-, whichever is lower.

With a view to encouraging savings, various incentives have been provided. For premia on life insurance, or contracts for deferred annuities, for contributions to Provident Fund and for annuity contracts, deductions are

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SHRI HARNAM SHANKAR was, till recently, President, Income-Tax Appellate Tribunal, Bombay.

provided with reference to the aggregate of the amounts so paid to the extent indicated below:

(a) If amount so paid does not exceed Rs. 4,000/-	The whole of such aggregate.
(b) If amount paid exceeds Rs. 4,000/- but does not exceed Rs. 10,000/-	Rs. 4,000/- plus 50 per cent of the amount by which such aggregate exceeds Rs. 4,000/-
(c) Where such aggregate exceeds Rs. 10,000/-	Rs. 4,000/- plus 40 per cent of the amount by which such aggregate exceeds Rs. 10,000/-

The aggregate of the sums so exempted is, however, subject to the limitation that the amount on which the relief is allowed shall not exceed 30 per cent of the gross total income or Rs. 20,000/-, whichever is less, in the case of individuals and 30 per cent of the gross total income or Rs. 30,000/-, whichever is less, in the case of Hindu Undivided Families.

Further Relief

As a further relief, deduction is to be allowed upto a limit of Rs. 2,400/- to an assessee, whether an individual or a Hindu Undivided Family, for expenses incurred out of the income chargeable to tax in respect of medical treatment, etc., of handicapped dependants.

To enable professional persons to secure retirement annuities, provision has been made for the deduction of the amount of qualifying premia paid for securing an annuity for the individual in his old age.

For persons having an income not exceeding Rs. 12,000/-, the amount expended out of the chargeable income for the full-time education of a dependant is to be allowed as a deduction in computation of total income.

With a view to encouraging savings and their investment in an approved manner, provision has been made for the exemption of income upto Rs. 3,000/- on certain securities, dividends from Indian companies, dividend from Unit Trust and interest on deposits with Banks.

Deduction is also admissible to persons who are totally blind or subject to a permanent physical disability (other

than blindness) which has the effect of reducing substantially his capacity to engage in gainful employment or occupation.

Economic Benefit

The above provisions ensure economic benefit to the comparatively weaker and handicapped sections of society and persons belonging to the middle-income group. Besides providing relief in taxation, they also encourage the habit of saving, make money available for productive investment and help in curbing the evil of tax-evasion (see Table below). They would serve to inculcate in the tax-paying public the habit of more prompt and effective compliance with taxation laws for their own benefit and the benefit of the society at large.

TAX RELIEF FOR AN INDIVIDUAL ON ACCOUNT OF INVESTMENT IN SPECIFIED MEDIA—ASSESSMENT YEAR 1977-78 (Relevant to Financial Year 1976-77)

Total Income	*Maximum savings qualifying for relief*	*Tax before relief for savings*	*Tax payable after relief for savings*	*Tax saved*
8,000	Nil	Nil	Nil	Nil
9,000	2,700	165	Nil	165
10,000	3,000	330	Nil	330
11,000	3,300	495	Nil	495
12,000	3,600	660	66	594
13,000	3,900	825	182	643
14,000	4,200	990	314	676
15,000	4,500	1,155	454	701
20,000	6,000	2,145	1,155	990
25,000	7,500	3,520	1,995	1,525
30,000	9,000	5,170	3,108	2,062
50,000	15,000	13,970	10,010	3,960
70,000	20,000	24,970	18,920	6,050
1,00,000	20,000	43,120	36,465	6,655
2,00,000	20,000	1,09,120	1,01,860	7,260

A cursory glance at the provisions enumerated above makes it abundantly clear that these, when fully translated into action, further the ideology underlying the Twenty-Point Programme enunciated by the Prime Minister. By raising the exemption limit from Rs. 6,000/- to Rs. 8,000/-, several hundred thousands of the weaker sections of society, who by and large were finding it difficult to make both ends meet, have been relieved of the liability to income-tax. With higher carry-home pay-packets, they are once again in a position to meet the challenges of life.

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RELIEF TO STUDENTS IN HOSTELS

V. MAHADEVAN

The approach to education after Independence is quite different from what it was before. Earlier, it meant mere addition to knowledge, whether it was useful or not for national development. Emphasis was laid on learning the three R's, without any proper appreciation of knowledge to make man a better individual and a better citizen. Now, after Independence, education has been considered as an important instrument in the achievement of the Plan's twin objectives—economic growth and social change. The Third Five-Year Plan clarifies this approach in the following words:

"Education is the most important single factor in achieving rapid economic development and technological progress and in creating a social order founded on the values of freedom, social justice and equal opportunities. Programmes of education lie at the base of the effort to forge the bands of common citizenship, to harness the energies of the people, and to develop the natural and human resources of every part of the country.... At all stages of education, the aim must be to develop both skill and knowledge and a creative outlook, a feeling of national unity which stands above religion, caste and language, and an understanding of common interests and obligations" (*Report*, p. 573). Education thus plays a crucial role in economic development and social modernisation.

SHRI V. MAHADEVAN is Lecturer, Kishinchand Chellaram College, Bombay.

Expenditure on education is thus an investment in man. In this case, the gestation period from investment to actual results is somewhat long; for example, the money spent on primary education may not be economically beneficial till the child becomes an adult and a productive unit of the community. However, such an expenditure on education is essential, so that an educated population becomes, in the course of time, an effective instrument in the social and economic development of the nation. For the sake of equity and efficiency, too, the expenditure on education is worthwhile, whether initiated and implemented by the Centre, the States or private agencies.

Though it has been agreed that education should be universal, *i.e.*, available to all, there is still is great disparity in the rural and urban standards, as is evident from the following 1971 statistics. (The Table is based on one per cent census sample data. The blown up figures do not cover the entire population.)

Table 1

POPULATION BY EDUCATIONAL LEVELS 1971

Educational Level	*Urban*	*Rural*
	'000s.	
Illiterate	52,141	335,263
Literate	56,462	101,630
(1) Literate—without education	15,392	42,973
(2) Primary	15,814	34,196
(3) Middle	12,022	16,380
(4) Matriculation	10,279	6,931
(5) Non-technical diploma	91	93
(6) Technical diploma	212	195
(7) Degrees (graduates and post graduates)	2,651	862

Need for Hostels

This disparity in educational levels between urban and rural areas is due to a variety of factors, including comparatively fewer facilities in rural areas. Higher secondary

schools and colleges are located mostly in towns, be they big or small; and rural folk are not in a position to take advantage of these facilities because they cannot find accommodation near about the places of their education. In view of the fact that hardly any of them have any close relatives to accommodate them, it becomes imperative to provide adequate hostel accommodation for them if our educational programmes are to cover them in any substantial measure. Rural folk may be socially submerged; but they are not unintelligent. For all we know, many of them have brilliant minds, which run to waste because no opportunities are provided for their full growth.

Since about three-fourths of the national expenditure on education is incurred by Government or quasi-Government agencies, it is obvious that something will have to be done to find money to build hostels for the rural folk. This may be made possible by ensuring that a part of Government's expenditure on education is utilised to build up, or help build up, hostels in mofussil areas. At the same time, it should be ensured that essential commodities, including food, clothing, books and stationery, are supplied to them at reasonable prices. Since most of the students from rural areas are hard-working, they can be easily persuaded to enlarge hostel facilities on a self-help basis. In this task, particularly in the running of hostel messes and the provision of sanitation and elementary health services, college managements may render such assistance and guidance as may be needed.

If the rural folk receive the benefits of higher education; if they are brought into the manistream of national life, they can, and they will, build a new and meaningful life for themselves. Since they have a strong sense of family and community, some of them may be expected to return to their villages after they have qualified as doctors, engineers, technicians and teachers, and assist in the growth of a new life for them. Family planning and health programmes, as well as other programmes for rural uplift, will then become more meaningful and will be more effectively

implemented because rural doctors, engineers, teachers and technicians will be on the job to help build a new life for their community.

That this will be possible—and there is no reason why it should not be possible if adequate hostel facilities are provided for village folk in mofussil areas—the whole face of the rural community will change almost beyond recognition. It is because Government has become increasingly aware of these aspects of the education of backward communities that the Fifth Five-Year Plan lays emphasis on:

(i) Ensuring equality of educational opportunities as part of the overall plan of ensuring social justice;

(ii) Establishing closer links between the pattern of education, on the one hand, and the needs of development and employment, on the other;

(iii) Improvement of the quality of education imparted; and

(iv) Involvement of the academic community, including students, in the tasks of social and economic development.

The Vice-Chancellors' Conference, held in New Delhi in September/October 1975, endorsed the objectives outlined in the Fifth Five-Year Plan, and recommended, among other things,

(i) Creation/distribution of educational facilities in rural and backward areas and removal of regional imbalances so as to meet the needs of backward areas and communities;

(ii) Provision of adequate hostels;

(iii) Compensating coaching for backward students; and

(iv) Government treat student residences as an essential and "functional" component for the development of higher education facilities.

Most of these recommendations have been implemented, at least in part, by State Governments in furtherance of the Twenty-Point Programme, in which two points lay stress

on measures for the welfare of students. These two points are:

(1) Students from poor families face special difficulties if they pursue higher studies away from their homes. To help them, essential commodities will be sup plied at controlled prices to all hostels and approved lodgings; and

(2) Another important measure in the educational field will be to ensure that text books and stationery are available at reasonable prices to all school, college and university students. Prices will be strictly controlled and book banks established.

These measures are animated by the fundamental principal that the welfare of the youth is an integral part of the educational process. They are, therefore, a national assignment to be executed by educationists in co-operation with Government and other agencies.

Opportunity for Weaker Sections

What have we done so far to promote the educational interests of the weaker sections of the people? The programmes undertaken by the Central and State Governments to extend to them equality of educational opportunity have included reservations, concession in fees, freeships, scholarships, stipends, supply of textbooks and stationery, mid-day meals, hostels and residential schools. All these facilities have served to increase enrolment, especially from the Scheduled Castes and Tribes.

The immediate problem for college hostel students in metropolitan and mofussil areas is nourishing food within the limits of their meagre budgets. This problem gains urgency in respect of students who have to pursue their studies away from their homes. How is their problem to be solved, particularly when very few of them make use of hostel facilities, since most of them are scattered over a wide area in metropolitan cities or big towns?

Perhaps a two-pronged attack on this problem will be productive of better results. In the first place, special con-

cessions will have to be made available to economically backward students with a view to persuading them to make an increasing use of hostel facilities, wherever they are available. A part of this problem has already been solved by UGC grants which provide for the payment of hostel fees by the economically weaker sections of the nation. Colleges in metropolitan areas may also be persuaded—and this should not prove to be a difficult task, for many of them have already developed a social conscience in respect of such students—to give concessions to poorer residents of hostels, whenever possible or necessary. In mofussil towns, however, Government itself will have to initiate action and also provide a substantial grant for the construction of hostels, where economically weaker students from backward areas or small villages may reside. Their expenses will be borne by grants provided for this purpose by the Centre and other Government agencies.

Achievement

Measures have already been initiated by State Governments and Union Territories to ensure that essential items of food are made available to students residing in hostels and approved lodging houses. Already, over 15,900 hostels, accommodating 1.43 million students (including about a quarter million students belonging to scheduled castes and scheduled tribes) have been covered by this scheme, as a result of which the students' monthly mess bill has gone down by Rs. 10 to Rs. 15. A great many consumer co-operatives, full details of which are not yet available, have also been set up in various colleges and universities all over the country with a view to bringing to the economically weaker sections of students consumer articles at prices which are well within their budget. The Statewise progress achieved by the scheme is given below:

Andhra Pradesh: The scheme of supply of essential commodities covers 1,42,346 hosteliers (including 45,000 Scheduled Castes and 27,000 Scheduled Tribes) spread over 2,236 hostels. The monthly mess bill per boarder has come down by Rs. 10 to Rs. 20.

Assam: Hostels, covering 23,653 students, are supplied essential commodities at controlled prices through co-operative societies.

Bihar: The number of students residing in hostels and lodges covered by this scheme is 23,636 spread over 815 hostels. As a result, mess bills have come down by 10 to 15 per cent. Six consumer co-operatives at the university level have been sanctioned with a "margin money" of Rs. 35,000 each to meet student requirements of essential commodities. Five such co-operatives have been set up in colleges.

Gujarat: Fourteen hundred and forty hostels with 1,14,070 are supplied rations by Government godowns or fair price shops. Some are supplied by co-operatives. On account of this, the mess bill has been reduced by Rs. 5 to Rs. 15 per month.

Haryana: Essential commodities are supplied to 6,580 students in 97 hostels. Their mess bill has accordingly gone down by an average of 8 per cent.

Himachal Pradesh: Supply of essential commodities covers 2,388 students spread over 104 hostels. Consumer co-operatives have been set up in colleges.

Jammu and Kashmir: Rations are issued at subsidised rates to 18 student hostels, benefiting 2,233 students. Fuel and additional ration are supplied to them at controlled rates. A branch of the Super Bazaar Co-operative Wholesale Stores is being opened in the Kashmir University as well as in the Agricultural College, Sopore.

Karnataka: Foodgrains are supplied to all the 1,494 student hostels by wholesale co-operative stores. By this arrangement, 1,08,492 students have benefited.

Kerala: Seventy hostels with 5,575 inmates have been covered by the scheme.

Madhya Pradesh: So far, 194 hostels have been covered, benefiting 12,071 students.

Maharashtra: The scheme covers 1,400 hostels, with 57,000 students. Co-operative consumer stores in universities

and colleges have been linked with wholesale consumer co-operatives for the supply of essential commodities. There has been a considerable reduction in mess bills. The supply of milk at concessional rates is under the consideration of Government. Students are encouraged to form co-operatives, and Government has made arrangements to provide working capital of Rs. 4,000/- for each one of them.

Manipur: The Manipur Wholesale Co-operative Society has undertaken the supply of essential commodities to student hostels. Co-operative societies have been formed in 21 institutions to facilitate distribution. Five hundred and sixty boarders are covered by this scheme. Government provides a minimum share capital of Rs. 2,000 to help start a co-operative in a high school.

Meghalaya: One hundred and seventeen hostels, accommodating 9,600 students, have been covered by the scheme which has resulted in a ten per cent reduction in the mess bill. About 600 students in the middle and high schools receive a monthly mess subsidy of Rs. 25 and Rs. 40 respectively. Three consumer co-operative societies have been organised in three colleges. In addition, a branch of the Shillong Wholesalers' Consumers' Co-operative Stores has been opened in one college.

Nagaland: The scheme covers 110 hostels with 3,857 students. Co-operative societies have been formed in four hostels. The mess bill has been reduced by 10 per cent.

Orissa: Two thousand, five hundred and forty-eight college hostels with 75,780 students have been covered through fair price shops and co-operatives.

Punjab: Adequate arrangements have been made to supply essential commodities at controlled prices to 14,347 students in 114 hostels.

Rajasthan: About 1,220 hostels, student lodges and rented houses are covered by this scheme, covering 56,226 students, who include 23,000 scheduled castes and scheduled

tribes. One hundred and ninety co-operatives have been set up in educational institutions.

Sikkim: About 750 students in junior, high and higher secondary hostels are supplied essential commodities. Firewood is also provided to 15 hostels at 50 per cent subsidy. As a result, mess charges have not gone beyond Rs. 50 per month per student. No charges are levied for accommodation, water and electricity.

Tamil Nadu: About 1,310 student hostels, covering two lakh students, are supplied essential commodities at controlled prices, as a result of which the mess bill has been reduced by Rs. 15 to Rs. 25 per head per month. About 250 co-operatives are functioning in schools and colleges.

Tripura: The scheme covers 721 students in 8 hostels.

Uttar Pradesh: The scheme covers 1,116 hostels and approved lodges and supplies are made to them by co-operative consumer stores. About 1,11,850 students have benefited.

West Bengal: The supply of foodgrains under the scheme covers 876 hostels, benefiting 67,917 students. The monthly messing bill has gone down by Rs. 20 in colleges and Rs. 6 in secondary schools.

Andaman and Nicobar Islands: Eleven school hostels and two colleges with 410 students are covered by this scheme Essential commodities are obtained from consumer co-operative stores or fair price shops at controlled prices. Snacks are supplied to students at reasonable prices by a cafetaria opened by the All-India Women's Food Council. The mess bill has been reduced by Rs. 20 per head per month.

Arunachal Pradesh: Children are given free rations and clothing. Students residing in hostels received a stipend of Rs. 10 to Rs. 75 per month. All tribal students get this benefit at the pre-matric stage. Essential commodities are supplied by the Government Central Purchase Organisation. The scheme covers five college hostels, which accommodate 231 students.

Chandigarh: Nearly 3,700 students are covered by the scheme. Supply of all consumer items to students' hostels

and canteens is looked after by the Supplies Department and consumer co-operatives.

Delhi: Fifty-one hostels with 8,565 students are covered by the scheme. Mess bills have been reduced by Rs. 15 per head.

Goa, Daman and Diu. The scheme has benefited 753 students in 7 hostels. Fish is also distributed to them at controlled prices.

Mizoram: About 470 students in 5 hostels in the territory are supplied essential commodities at cheap rates.

Pondicherry: All the 4 hostels are covered by this scheme, benefiting 76 students. The mess bill has gone down by 30 per cent. (See Table 2.)

While this progress in providing essential commodities to students at reasonable prices indicates Government's abiding concern for the welfare of the economically backward sections, the problem still remains somewhat unsolved in so far as it relates to college and university students. The requirements of these students are enormous, and it would be almost impossible either for State Governments or universities to take up a major responsibility for satisfying them. As it is, Government's share in the expenditure on higher education has exceeded 70 per cent, and the present state of the finances of universities is such as rules out any further allocation of funds for this purpose. Therefore, the co-operative sector, with the active involvement of students, will have to take the initiative and assume responsibility.

Suggestions

The system of contractors in hostels should, wherever possible, be abolished, and co-operatives should be encouraged.

It would be worthwhile to set up primary consumers' co-operative stores in colleges with the active participation of student bodies and help from Central Co-operative Consumers' Societies. Apart from its financial contribution,

Table 2

STATEWISE PROGRESS OF IMPLEMENTATION OF THE SCHEME OF SUPPLY OF ESSENTIAL COMMODITIES TO STUDENTS' HOSTELS UPTO 31-10-1976

State	*No. of hostels covered*	*No of students benefited*
Andhra Pradesh	2,236	1,42,346
Assam	481	23,653
Bihar	815	23,636
Gujarat	1,440	1,14,070
Haryana	97	6,580
Himachal Pradesh	104	2,388
Jammu & Kashmir	18	2,233
Karnataka	1,494	1,08,492
Kerala	71	5,575
Madhya Pradesh	194	12,071
Maharashtra	1,400	57,000
Manipur	21	560
Nagaland	110	3,857
Meghalaya	117	9,654
Orissa	2,548	75,780
Punjab	114	14,347
Rajasthan	1,224	56,226
Sikkim	N.A.	N.A.
Tamil Nadu	1,317	2,00,000
Uttar Pradesh	1,116	1,11,854
West Bengal	876	61,917
Tripura	8	721
Total	15,801	10,32,958

Note: Prior to the emergency, students' hostels were only partially covered by the public distribution system.

Government should come forward with assistance in a variety of other ways. It should simplify the procedures for the registration of such primary stores; modify rules to the necessary extent by keeping in view the role of, and the context in which, the store is expected to function; and make available Government machinery for the solution of such problems as may arise in the initial stage in the day-

to-day working of these primary consumers' co-operative stores.

Assuming that all this will be done in genuine earnestness, and there is evidence enough to believe that it will be so done, the fact remains that there is yet another problem arising out of the working of such primary stores; and this relates to the procurement of goods at manufacturers' cost price, so that a nominal margin of profit is made by the store to cover its overhead expenses. Obviously, this is a task beyond the competence of the primary store, the university or even the Central Co-operative Consumers' Societies, for it will call for persuasion, even pressure, before manufacturers fall in line; and the only agency which can effectively achieve this is a State or Union Government. The setting-up of a Central Marketing and Distributing Agency at Government level, which can feed the required goods to chains of primary co-operative consumers' stores in colleges, is an imperative need, and concrete steps in this direction must be taken to provide stability and viability to these primary stores. However, the extent to which the manufacturers are amenable to such persuasion or pressure, and are willing to give up their share of profit in this lucrative trade for the benefit of the submerged sections of the community, will determine the success or failure of this scheme.

BOOKS AND STATIONERY AT CONTROLLED PRICES

MADHURI R. SHAH

The Twenty-Point Programme of the Prime Minister has made available substantial facilities and provided relief to the student community, by ensuring a considerable reduction in cost of books and stationery or of food in hostels and approved lodgings. The programme for the supply of books and stationery to students at controlled prices and the setting up of book banks has shown excellent results. The implementation and consolidation of this programme in the field of education has given opportunities to students to study at a much lower cost, and the results have been most encouraging and, in some ways, even spectacular.

Text books and exercise books are now freely available in all parts of the country. The reduction in the prices of text books and their stabilisation at the 1973 level have been possible largely as a result of the supply of white printing paper at concessional rates. About 1,20,000 tonnes of such paper have been annually earmarked for the educational sector. From time to time, the Central Co-ordination Committee works out the basis for the distribution of paper for educational purposes. Committees for its distribution have been constituted in the States and in some Union Territories. Such a two-tier system at the Central and the State level has been evolved to ensure a fair and equitable distribution of concessional paper. Various consumers —such as national text books boards, manufacturers of

DR. (MRS.) MADHURI R. SHAH is Vice-Chancellor, SNDT University, Bombay.

exercise books, university and school examinations boards and publishers—receive allocations of paper to meet their needs. Since June 1974, distribution has been made to the States and Union Territories by the Government of India on a quarterly basis. During the last two years, about 1.07 lakh tonnes of paper have been made available for the production of school text books, and for reference and recommended books for colleges and universities.

This scheme has made a visible impact on the prices of text books, despite rises in the cost of production and printing. Several States—Assam, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Kerala, Madras, Maharashtra, Manipur, Orissa, Rajasthan, Tripura and West Bengal—have been able to effect a reduction in the prices of text books ranging between 10 per cent and 20 per cent. Several leading publishing houses have also suitably reduced their prices of a number of titles published by them. The revised price structure for standardised exercise books has been introduced from January 1976, and this has led to a further reduction in the prices by 4.7 per cent. The revised rate structure has already been introduced by Maharashtra, Kerala, Madhya Pradesh, Delhi and Pondicherry, and it is being implemented in other States as well. By and large, therefore, there has been a stabilisation of prices at the 1973 level.

A regular supply of concessional paper to the States and to Union Territories for the manufacture of exercise books and an allocation of 1.25 lakh tonnes of paper for this purpose has led to price fixation—a minimum of 25 paise for a 48-page soft-cover exercise book and a maximum of Rs. 1.30 for a 240-page hard-cover exercise book. The prices fixed for other varieties are—30 paise and 40 paise for 64 pages and 80 pages respectively, and 65 paise for a 120-page semi-bound exercise book, 65 paise, 80 paise and Rs. 1.15 for 96, 144 and 192 pages hard-cover exercise books respectively. The manufacturers of these exercise books have agreed to offer a further rebate of 10 per cent on bulk orders. In Uttar Pradesh, the prices of some types of exercise books have been fixed at even lower rates. Items

of stationery like pencils, erasers and geometric boxes are made available at controlled rates to students. Ten States have reported availability of stationery articles to students at reasonable rates, thus bringing great relief and satisfaction to the student community.

Another step forward in the programme is the setting up of book banks for the supply of text books to students at reasonable prices, especially for the benefit of the weaker sections of society. Book banks have been in operation, both at the school and collegiate level. The University Grants Commission has also relaxed the minimum condition of enrolment for setting up book banks so that colleges, with an enrolment of even 100 students in degree classes, are eligible for its assistance. This measure will enable colleges situated in backward areas to take advantage of the scheme. Out of 2,866 colleges eligible for book bank grants, nearly 2,431 have already started the book bank scheme with UGC support.

Book banks have been established in schools as an experimental measure. According to the latest reports, about 1,44,506 book banks have been started in schools in all the 22 States. It may be pointed out here that text books are supplied free to all needy students in the Union Territories of Andaman and Nicobar Islands, Arunachal Pradesh (upto Class VI), Dadra and Nagar Haveli and the Laccadives. In West Bengal, the supply is free for all students upto Standard VI.

Statewise progress of the scheme is given below:

Andhra Pradesh: Text books are supplied free to all scheduled castes and scheduled tribes students studying in classes upto Standard X. Book banks have been organised in 2,770 schools and 153 Government colleges and junior colleges. Exercise books are provided at controlled prices.

Assam: Prices of text books have been slashed upto 60 per cent below the prices that ruled in 1974-75. Nearly 580 book banks have been set up in schools and 50 in colleges, and exercise books are made available at concessional and/or controlled prices.

Bihar: Out of a total sum of Rs. 27.23 lakhs made available by the State and the UGC, the universities have spent Rs. 26.29 lakhs on the purchase of 2,27,064 books, benefiting 86,048 students in the State. Steps have been taken to establish book banks in selected high schools, particularly in girls' schools.

Since July 1976, prices of exercise books have been reduced by about 13 per cent, while those of text books have gone down by 20 per cent in comparison with the prices ruling in July 1975.

Chandigarh: Book banks have been started in all the Government higher secondary, high and middle schools as well as in all the colleges and important technical institutions. Four co-operative stores have also been set up in some colleges where the students' day-to-day requirements are made available at reasonable prices.

Delhi: In all the middle and higher secondary schools, and in all the colleges sponsored by the Delhi Administration, 853 book banks have been set up at a cost of Rs. 8 lakhs. A similar amount is expected to be spent on these banks by the end of the current financial year. Free text books have been supplied to primary school teachers.

Goa, Diu and Daman: Text books and exercise books are made available at controlled prices, as a result of which the distress of poor and needy students has been considerably mitigated.

Gujarat: About 3,781 book banks have been started in 150 colleges and 3,581 schools in the State. The text books published by the State Board are made available to educational institutions at a discount of 17-1/2 per cent on prices which have been frozen at the 1974 level. About 1.8 lakh text books are expected to be distributed to book banks in high schools, while 32,574 will be distributed in backward tribal areas.

Haryana: Book banks have been opened in 5,993 schools and 61 colleges with a view to providing free text

books to needy students. By making essential commodities available to students in hostels at reasonable prices, Government has made it possible for them to get their mess bill down by 8 per cent.

Himachal Pradesh: Stationery and text books are made available to students at very concessional rates. Exact figures are given in Table 1.

Jammu & Kashmir: Text books from Class I to Class VIII are sold to students on a no-profit-no-loss basis. Book banks have been set up in 19 colleges in the State. A sum of Rs. 1.10 lakhs has been set aside for organising book banks in secondary schools during the next year.

Karnataka: Two hundred and fifty-two book banks have been started in 182 colleges and 700 schools in the State. Text books and exercise books are made available at prices which are considerably lower than those ruling two years ago.

Kerala: A little more than 1,183 book banks have been established in schools and 106 in colleges. About 250 school co-operatives and 9 college co-operatives have been organised with a view to ensuring that text books, exercise books and other essential consumer commodities are made available to students at prices well below those ruling in July 1975.

Madhya Pradesh: A book bank scheme in the State was implemented in 51,818 schools and 182 colleges. About 4,55,000 students, coming from the weaker sections of society, have been provided with free text books from Class III to Class VIII. Scholarships of the value of Rs. 15.5 lakhs have been awarded to 8,911 students. Consumer Co-operative Stores have been set up in universities, 12 colleges and 63 schools, benefiting over 10,000 students. Books, stationery and other consumer articles are supplied to them at cheap or controlled prices.

Maharashtra: The State Text Books Bureau has reduced the prices by an average of 7 per cent from 1st March 1976. A book bank scheme has been introduced in

primary schools for all the classes from the current academic year. The scheme is expected to be progressively introduced in the secondary schools in the State. Already, 302 book banks have been set up in colleges. As regards the supply of exercise books, the price structure, as rationalised by the Government of India, has been adopted.

Manipur: Prices of text books have been slashed by 88 paise per text book, while those of exercise books have been cut by 15 paise. Book banks have been set up in 183 schools and 12 degree colleges for the benefit of poor and needy students.

Meghalaya: The price of exercise books has been slashed by 15 per cent. Ten colleges and 301 middle and high schools have been covered by book banks up to date. All the others are expected to benefit from this scheme by the end of the current financial year. Free text books were supplied to about 25,000 primary school students during 1975-76. By the end of the current financial year, book banks are expected to be established in about 100 selected primary schools in the State.

Mizoram: Book banks have been established in 652 primary, middle and high schools and in 4 colleges in this Union Territory. Text books at controlled prices are being made available to students.

Nagaland: Text books at half their original prices have been supplied to students reading upto to Class VIII in the backward areas of the State. Book banks have been set up in 4 colleges, and arrangements have been finalised to open such banks in 48 schools.

Orissa: Text books for secondary classes are sold at prices ruling in 1963-64, and are supplied free in 54 high schools, while book banks have been set up in 1,151 schools. The remaining schools in the State will be covered by the scheme by the end of 1976-77. Ninety book banks have been opened in colleges. Text books and writing materials were supplied free to newly-enrolled students in the 6 to 11 age-group, benefiting 30,274 students. During 1975-76, free text books and writing materials were supplied to 50

per cent of the newly-enrolled students in the 11 to 14 age-group. During the current financial year, this benefit will be extended to 22,500 students.

Pondicherry: Book banks, comprising 12,800 books valued at Rs. 88,000, have been opened in all the high schools and colleges, including professional and technical institutions. Books worth Rs. 3,75,000 are shortly expected to be added to these book banks, the benefit of which is now available to more than 2,000 students. A sum of Rs. 2 lakhs has been set apart for the purpose of organising book banks in all Government middle schools before the end of the present financial year, which will cater to at least 30 per cent of the enrolled students in these schools. Writing materials—such as slates, pencils, erasers, scales, notebooks etc—have been supplied free of cost to 14,800 students studying in Standard I to Standard III. Standards IV and V will also be covered by this scheme before the end of the current financial year.

Punjab: Text books and exercise books are sold at controlled prices to mitigate the distress of students coming from the weaker sections of society. Twenty book banks have been opened in colleges and 11,400 in schools.

Rajasthan: Twenty-six book banks in university teaching departments and in 126 colleges and in 23,124 schools have been organised. About 1,500 stationery distribution centres have been set up where text books and exercise books are sold at prices which are 10 per cent to 20 per cent lower than the market rates

Sikkim: Books have been loaned to students belonging to scheduled castes and scheduled tribes and to the children of servicemen with an income below Rs. 500. About 2,000 students have benefited from this scheme. Moreover, text books are made available at half their prices to all students studying upto Class VIII. Free lodging and boarding are provided to students who come from very poor families. The number of students benefiting from this scheme has gone up from 75 to 270. Thirty-seven book banks have been set up in schools and colleges.

Tamil Nadu: After the proclamation of the President's rule in the State, the prices of text books have been reduced by 10 per cent to 34 per cent, while the prices of exercise books have been standardised in accordance with the guidelines provided by the Government of India. These exercise books and other writing materials have been exempted from the levy of sales tax. Book banks are functioning in 144 colleges and in 29,669 schools. Cash grants of Rs. 300 per student will be made available to all scheduled castes and scheduled tribes students who obtain 70 per cent or more marks at the S.S.L.C. examination to be held from 1977 onwards, to enable them to join a college of their own choice.

Tripura: In 1,497 elementary schools, free supply of text books has been made available to 45,188 scheduled castes and scheduled tribes students in Class I and Class II. Complete sets of books have been supplied to 37,000 scheduled castes and scheduled tribes students in Class III to Class V. Book banks have been started in 8 colleges and 1,509 schools.

Uttar Pradesh: The prices of about 1,500 text books have been reduced by 20 per cent to 30 per cent, while low-priced exercise books have practically flooded the market. Book banks have been set up in 299 colleges upto the end of October, 1976. This scheme is expected to be extended to high schools and intermediate colleges at an estimated cost of one crore of rupees and will initially help the economically weaker sections of the community.

No one can deny that the above facilities have provided a much-needed relief to the student community and have created a feeling of satisfaction in the younger generation that their hardships are of a deep and abiding concern to the Government and educational institutions. There has also been a far greater sense of discipline and involvement among the publishers and other agencies, such as text-book bureaus in different States. With the spread of education to a larger community, the need becomes much greater for the provision of cheaper books

and stationery because text books today enjoy a dominant place in the total curriculum.

As a matter of fact, to ensure rapid development of education and other forms of communication, it is essential that those involved in education should undertake research to provide better quality text books and more effective learning materials. Universities are also examining the feasibility of common text books in certain subjects with a view to taking advantage of the benefits of large-scale production and bringing about a further reduction in prices. A scheme is being worked out to introduce book banks in primary and secondary schools, depending on the availability of resources. When introduced, it is expected to benefit about 15 lakh school students.

Table 1

STATEWISE PROGRESS IN THE ESTABLISHMENT OF BOOK BANKS UPTO 31.10 76

States	*No. of Book Banks established as on 30.6.1975*		*No. of Book Banks established upto 31.10.76*	
	Schools	*Colleges*	*Schools*	*Colleges*
Andhra Pradesh	*	42	2,770	153
Assam	*	8	580	50
Bihar	*	1	N.A.	318
Gujarat	*	67	3,581	150
Haryana	*	47	5,993	61
Himachal Pradesh	*	1	356	22
Jammu & Kashmir	*	3	N.A.	19
Karnataka	*	37	700	182
Kerala	*	47	1,183	106
Madhya Pradesh	*	50	51,818	182
Maharashtra	*	165	N.A.	302
Manipur	*	N.A.	183	12
Nagaland	*	N.A.	48	4
Meghalaya	*	N.A.	301	10
Orissa	*	31	1,151	90
Punjab	*	52	11,400	20
Rajasthan	*	41	23,124	126
Sikkim	*	N A.	N.A.	37
Tamil Nadu	*	26	29,669	144
Uttar Pradesh	*	80	N.A.	299
West Bengal	*	121	140	136
Tripura	*	N.A.	1,509	8
Total		851	1,44,506	2,431

* No Book Banks existed in schools prior to July 1975.

N.A.—Information not available.

EVALUATION OF APPRENTICESHIP PROGRAMME

L. K. DESHPANDE

To most observers of the labour scene, the Prime Minister's inclusion of the apprenticeship scheme in the Twenty-Point Programme may have come as a big surprise. Parliament passed the Apprenticeship Act in December 1961. But trade unions, employers and the general public do not seem to have been much concerned about its implementation. This is evident from the comments of the Bhagwati Committee on Unemployment. The Group, reporting in 1972, observed: "So far there has been no independent review. But the general observation is that the industries, where such trainees are sent, look on the scheme as an imposition and accordingly there is a certain degree of reluctant participation in these schemes . . . "[1]

System of Apprenticeship

Though not unknown in ancient times, the system of apprenticeship is largely associated with the guilds of the feudal and early capitalist era. Apprentices were then indentured to the master tradesman with whom they lived and had to pay for their board, lodging and training. The period of apprenticeship was usually seven years, the completion of which entitled apprentices to work as journeymen for wages. The growth of trade weakened the

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DR. L. K. DESHPANDE is Reader, Department of Economics, University of Bombay, Bombay.

1. *Report of the Working Group on Education*, Committee on Unemployment, Ministry of Labour and Rehabilitation, Government of India, October 1972, P. 34, Para 37.

monopoly power of guilds and the system declined rapidly during the 18th century. However, the need to train skilled workers persisted, and the old system was replaced by industrial apprenticeship, under which the trainee did not live with the master, and received some wages for the work he did.

The new system also encountered heavy weather when the industrial revolution gathered momentum and led to greater specialisation and speed in production. Trade unions, especially in England, tried to control the supply of apprentices in order to prevent the misuse of juvenile labour by industry. The two World Wars made heavy demands on skilled labour for civilian and military uses. The existing apprenticeship programmes took a much longer time to train workers and, therefore, the system almost crumbled under the pressure of war, but revived quickly in the post-war period in most countries. Modern industry requires complex skills at a much faster rate and the traditional methods of training workers have to be changed to meet the demands of industry for a variety of skills.

Merit

India's developmental strategy puts the accent on heavy industry. Though these industries use less labour per unit of capital than many consumer goods industries, they require a relatively skilled labour force. However, because industrialisation was not rapid and widespread, a great many technicians found themselves without jobs. Addressing the Thirteenth Meeting of the Central Apprenticeship Council, Central Education Minister Nurul Hasan pointed out that 20,000 degree-holders and 50,000 diploma-holders in engineering were unemployed in 1975; and there were nearly one million production and process workers on the live registers of employment exchanges on 30th June 1975.[2] Out of the 8.8 million unemployed, 6.5 million were not occupationally classified; and of these, 2.9 million had studied up to matriculation, while 2.8 million had passed matri-

2. *Indian Labour Journal*, January 1976, Table C 2.1, p. 184.

culation but were not graduates. In fact, only 3.3 per cent of the population between the age group 17-24 goes in for higher education; the rest have to learn a trade in order to gain employment. This can be done in two ways, which supplement and not supplant each other: skilled workers can be produced through institutions like the Industrial Training Institutes (ITIs) or through apprenticeship schemes (or through a combination of the two). While institutional training has certain advantages, it is comparatively expensive and less responsive to the needs of industry.

Need for State Intervention

In a developing economy, unemployment arises primarily because the supply of wage goods (circulating capital) and the stock of fixed capital are far too small to employ all the available work force. Secondly, most of the labour force is unskilled, while industries demand skilled labour, so that some part of the total unemployment arises because of the mismatching of skills demanded and those that are available. Apprenticeship programmes can go a long way in reducing the latter type of unemployment.

One may argue that though the need for an apprenticeship programme is obvious, the State need not have intervened. The mismatching of skills may be corrected through a proper market mechanism. It is now well recognised that the market mechanism does not work smoothly in underdeveloped countries, and that, even in developed countries, Governments have found it necessary to direct the labour supply in various ways. Moreover, an industrial society requires both generalised and specific skills. But no producer, guided by private profit, would undertake investment in skills that are useful in general because there is no guarantee that a trained worker will work with him and enable him to recover his cost of training. (It may be mentioned here, however, that quite a few reputable firms insist that the trainee sign a bond to serve them for a particular period after his training.) Hence, the total investment in skill formation is likely to be inadequate when left to private initiative alone. The

State therefore has to set up institutions like the ITIs to make up for this deficiency. Although an employer may be relied upon to train his workers in the skills specific to his industry, the traditional methods may be time-consuming and the aggregate supply may fall short of aggregate demand. That is why the State has to intervene by enacting legislation on apprenticeship. This is all the more necessary in India where the State has accepted the responsibility of spearheading the process of industrialisation through the public sector.

Here, it will be worthwhile to consider the salient features of the Apprenticeship Act, 1961. Under this Act, the Central Government, in consultation with the Apprenticeship Council, specifies the industries and designates the trades to be covered. The number of specified industries rose from 53 in 1962 to 216 in May 1976, and the number of designated trades from 14 to 103. In addition, 57 specialised fields in engineering and technology have been designated for graduate engineers and diploma-holders. Employers all over the country have to employ apprentices in these industries and trades in a fixed ratio to be decided upon by an appropriate authority.

As a result of the special drive to implement the New Economic Programme, significant progress has been achieved, as is evident from the following table:

Position as on	*Central Sector*		*Private Sector*		*Total*	
	Located seats	*Utilised seats*	*Located seats*	*Utilised seats*	*Located seats*	*Utilised seats*
30.6 1975	34,837	22,189	71,100	44,289	105,937	66,478
15.5.1976	49,692	45,924	85,238	84,359	134,980	130,283
31.10.1976	55,465	52,830	89,999	88,771	145,464	141,601

Note: Statewise and region-wise figures as on 30th June 1975 and on 31st October 1976 are given in the Annexure.

Qualifications for Apprenticeship: An apprentice has to be 14 years of age before he can be apprenticed. In England, the Industrial Training Act of 1964 lays down the minimum age at 16, and so does the Fitzgerald Act of 1937 in the United States. Compared to most of the developed countries, the minimum age stipulated in the Indian Act is lower, perhaps because of the poverty which forces people to enter the labour force at a younger age, and because of the lower life span of an average Indian worker. Yet the comparatively poorer health of an Indian at 14 may lead to a higher rate of absenteeism.

The minimum educational qualifications differ from trade to trade. For some, it is matriculation, for others it is Standard VIII, while there are some trades for which even lower qualifications are laid down. In practice, the authorities have specified the minimum and desirable qualifications, the latter being higher than the former. Those who have passed Standard VIII may at the most be trained for 47 out of the 108 designated trades.

Reservation for Scheduled Castes/Tribes: The Act empowers appropriate authorities to reserve seats for apprenticeship training for scheduled castes/tribes in proportion to their population in each State. The higher the minimum academic qualifications fixed, the greater the possibility that suitable candidates will not be available from scheduled castes/tribes. Common sense tells us that the relevant percentage for fixing the quota is the percentage of scheduled castes/tribes with the minimum qualification and not the percentage of scheduled castes/tribes to the general population. This is one more instance among innumerable others where our sense of justice gets the better of our common sense and we fix quotas which are unlikely to be filled unless the minimum qualifications are lowered. By the middle of May 1976, the scheduled castes trainees numbered 11,548 and those belonging to the scheduled tribes only 2,958. There were, moreover, 179 physically handicapped apprentices, 12,753 belonging to minorities/weaker sections, and 1,476 women apprentices. In all, there were 1,30,283 apprentices undergoing training

in the country. Thus, the scheduled castes apprentices formed 9 per cent of the total and those from the scheduled tribes were only 2.3 per cent. The two groups form 15 per cent and 7 per cent of the total population respectively. It is difficult to imagine that the quotas based on the strength of these groups in the general population can be fulfilled in the near future. Basically, they must be provided with an education that will make them eligible for the programme. However, according to Mr. Naik, the co-efficient of equality for enrollment in schools declines as one moves up from Standard I to Standard XII.[3] The same is true for higher education.[4]

But the non--fulfilment of the quota cannot be attributed entirely to non-availability of scheduled castes candidates possessing the minimum qualifications. Part of it may arise because of lack of information. Information about the scheme must therefore be widely circulated in schools located in areas in which scheduled castes and tribes predominate; and the apprentices trained from among these should be utilised to canvas the scheme among their castes.

While the scheduled castes are socially handicapped, there are some who are physically handicapped. The Act provides for their employment if the local civil surgeon or the Special Employment Exchange certifies the fitness of the handicapped person for a trade. Currently, some 3 per cent to 4 per cent of the seats are reserved for them. Since we do not know their proportion to the population, we cannot pass judgement on the adequacy or otherwise of this quota.

Freshers as well as trainees of the ITIs are eligible for apprenticeship and the latter rightly enjoy some exemption in the term of apprenticeship. This period for most trades is of 3 years but for a few it varies between 6 months and 4 years. In England, the normal period is of 5 years, while

3. Naik, J. P.: *Education of the Scheduled Castes* (1965-66), ICSSR, 1971, Table 10, p. 26.

4. Chitnis, Suma: "Education of Scheduled Castes," *Journal of Higher Education*, Vol. 1, No. 2.

in the United States it varies between $3\frac{1}{2}$ years to 4 years. In all countries, apprentices are paid a stipend which generally carries an annual increment. In India, too, the stipend increases from, say, Rs. 130 p.m. in the first year to Rs. 200 p.m. in the fourth. Graduate engineers receive a minimum of Rs. 280 p.m. Though a trainee is not a worker, he does produce some goods and services. The stipend may therefore be interpreted as remuneration for work done. The cost of the scheme in India is borne entirely by an establishment, if it employs 500 or more workers, and is shared with the Government if it employs less. The financial burden on the establishment and the Government would be made a little lighter if levies are imposed on establishments which default. But this suggestion has not been acceptable to the Government despite the failure of the employers to co-operate.

Penalties Prescribed

As in other countries, so in India, the Act requires that a contract shall be signed between the employer and the apprentice or his guardian (if he is a minor). This contract binds the trainee to observe certain rules and regulations and the employer to train the apprentice in a trade. An employer can be fined or imprisoned for 6 months if he fails in his obligations and a trainee has to repay Rs. 35 p.m. upto a maximum of Rs. 500 if he abandons his training half-way. The provisions regarding refund may deter some candidates, especially those coming from the weaker sections, from participating in the apprenticeship scheme.

The Act has brought into existence at the Central and State levels appropriate bodies to co-ordinate and supervise the programme. These bodies prescribe the syllabi, inspect the arrangements for training, register apprenticeship contracts and conduct the final test. They also make arrangements for the basic training of apprentices in establishments employing less than 500 workers. All establishments have to release apprentices for related instruction one day in a week or on a block basis. The trainees are covered

under the Factories Act, 1948, and the Workmen's Compensation Act, 1923.

A distinguishing feature of the Indian Act is the final trade test, which it is necessary for every trainee to pass. In England, no final examination is held, while in the United States an examination is held for the licence to practise the trade; but the system lacks standardisation. The Indian Act provides for prizes and medals for the best apprentice and the best establishment.

This review of the working of the Act is seriously handicapped by the non-availability of some of the latest statistics. Table 1 shows that, between 1962 and 1975, the number of specified industries has quadrupled and that of designated trades has increased sevenfold. Considering the substantial increase in specified industries and trades, the number of apprentices passing out must have increased substantially, but the relevant data are not available. The number of establishments covered has registered a threefold increase between 1964 and 1974, while the number of apprentices undergoing training has shot up from 3,383 in 1963 to 1,17,836 in 1975 and to 1,45,464 by the end of October 1976.

Table 2 presents a snapshot of the position in 1974. It shows, among other things, that the vast potential of the programme is yet to be tapped. Out of 55,113 establishments, 38,180 (69.03 per cent) had no arrangements for training facilities. Only 8.34 per cent of the surveyed establishments (47,508) were taking on apprentices, presumably according to the prescribed ratio for trades; while 7.60 per cent did not observe the prescribed ratio.

The best indicator of performance is the ratio, expressed as percentage, of the number of apprentices undergoing training to the seats located. The national average of 63.5 per cent for the utilisation of these seats speaks of a fairly high performance; and the improvement in this indicator since the declaration of emergency is very impressive. As on 31st December 1975, 1,23,295 seats were located, of which 1,17,886 were utilised, raising the percentage of utilisation to 95.6. In March 1975, the utilisation ratio was only 63 per

Table 1

PROGRESS IN APPRENTICESHIP (1962-75)

Year	*Number of industries specified*	*Trades designated*	*Number of establishments in which apprentices were engaged*	*Number undergoing training*	*Number of apprentices passed out*
1962	53	14	—	—	—
1963	75	12	—	3,383	—
1964	—	—	1,414	14,130	74
1965	—	—	1,333	22,544	698
1966	14	14	2,061	29,854	2,405
1967	53	—	2,365	34,816	4,937
1968	—	10	3,249	35,200	6,163
1969	—	—	3,514	38,265	7,691
1970	—	4	4,385	42,112	10,954
1971	—	2	4,154	45,582	11,731
1972	6	5	5,103	52,454	13,999
1973	—	—	6,806	60,247	14,002
1974	—	—	7,573	66,263	N.A.
1975	15	42	N.A.	1,17,886	N.A.

Figures relate to the month of September in each year except 1967 and 1975. For them they refer to the position in August and December respectively.

N.A.: means "Not Available".

Table 2
STATE OF THE PROGRAMME IN 1974

	ESTABLISHMENTS					APPRENTICES			
Region	*Covered*	*Surveyed*	*Engaging apprentices*	*Engaging below ratio*	*Not Engaging*	*No training facilities at present*	*Facilities located so far*	*Apprentices undergoing training*	*% of Col. 8 to 9*
1	2	3	4	5	6	7	8	9	10
A. Western	18,192	16,802	541	840	1,054	14,367	49,749	12,540	63.4
Northern	13,747	12,570	1,846	1,631	2,001	7,092	20,821	11,659	55.8
Eastern	9,044	5,032	478	427	547	3,580	16,690	11,646	69.7
Southern	13,640	12,444	1,024	469	1,065	2,886	15,879	10,012	63.0
Total (A)	54,623	46,848	3,889	3,367	4,667	34,925	73,139	45,857	62.0
B. Western	119	111	16	58	27	10	7,052	4,972	70.5
Northern	209	192	15	68	25	84	6,467	3,936	60.8
Eastern	242	242	27	72	25	118	9,169	5,292	57.7
Southern	120	115	15	45	11	43	8,496	6,206	73.0
Total (B)	690	660	74	243	58	255	31,185	20,406	65.4
Grand Total (A + B)	55,313	47,508	3,963	3,610	4,755	38,180	1,04,323	66,063	63.5

A = State/Private Sector.
B = Central Sector.

cent; but, under the impetus provided by the emergency, it improved to 96 52 per cent by the middle of May 1976 when, of the 1,34,980 located seats, as many as 1,30,283 were utilised. By the end of October 1976, the utilisation ratio had further improved; for, out of the 1,45,464 located seats, as many as 1,41,601 were utilised—a little over 97 per cent utilisation. While the position regarding craftsmen is extremely satisfactory, that relating to engineering graduates and technicians calls for a great deal of improvement. Out of 7,334 seats located for degree-holders, only 3,017 were utilised, while out of 7,960 seats located for technicians, only 3,202 seats were utilised.

The performance of the Southern region, with a utilisation ratio of 73 per cent in the Central sphere, is quite high compared to its performance in the State/private sector at 63 per cent. In the latter sector, the Eastern region reports the best and the northern region the worst performance. In the Central sector, the Eastern region shows the worst utilisation.

Utility of the Scheme

The main thrust of the Twenty-Point Programme is to secure for the weaker sections the fruits of progress that have been denied to them. Out of the 1,30,283 utilised seats in May 1976, as many as 28,914 belong to the scheduled groups, the physically handicapped and the minorities. However, more attention needs to be devoted to apprenticeship programmes for women. It is reported that plans have been finalised with Swedish help to start regional institutes of vocational training for women in Lucknow, Calcutta, Bombay, Bangalore and Trivandrum. The trades selected are hosiery, garment-knitting and electronics. There is a wide scope for the employment of women in commercial and service trades, which needs to be exploited in order to do justice to this segment of the under-privileged and unprivileged class in India.

We have briefly indicated the importance of an apprenticeship programme for India and discussed the various

provisions of the Apprenticeship Act, 1961. We have also tried to evaluate the implementation of the Act, and suggest a few improvements. We have no estimates of the demand for skilled labour in the near future. Hence, we have no way of determining whether the supply produced now and in the future will exceed or fall short of our requirements. Some urgent attention needs to be paid to this question with a view to avoiding the frustration that may arise among apprentices if they do not find jobs even after the acquisition of the necessary skills. The programme should not be looked upon as a panacea for unemployment and poverty. But in changing the composition of skilled labour, the programme will have a revolutionary impact. Concerted and persistent efforts will have to be made to expand the scheme and provide facilities for training for trades in establishments where they do not exist at present. This can be done with the co-operation of Government, employers and trade unions. Full utilisation of seats reserved for scheduled castes and tribes is unlikely unless these groups are helped to improve their educational qualifications. Reservation of quotas by itself will not help. The implementation of the programme, however, has been creditable enough so far, and raises high hopes for the future.

ANNEXURE

STATEWISE PROGRESS OF IMPLEMENTATION OF APPRENTICESHIP SCHEME — AS ON 31-10-1976

State	*Position as on 30-6-75*		*Position as on 31-10-76*	
	No. of seats located	*No. of seats utilised*	*No. of seats located*	*No of seats utilised*
Andhra Pradesh	4,360	1,782	5,012	4,902
Assam	453	394	1,298	995
Bihar	4,783	3,386	5,800	5,880
Gujarat	6,249	3,406	6,817	6,174
Haryana	3,542	922	3,800	3,810
Himachal Pradesh	267	41	589	589
Jammu & Kashmir	387	60	405	671
Karnataka	3,675	2,160	7,216	6,287
Kerala	1,872	1,399	4,223	4,214
Madhya Pradesh	2,392	892	2,637	2,659
Maharashtra	11,681	8,024	14,243	15,834
Orissa	1,652	1,144	2,619	2,001
Punjab	1,683	880	2,424	2,424
Rajasthan	1,469	645	2,000	1,775
Tamil Nadu	6,387	4,981	8,959	9,233
Uttar Pradesh	10,025	6,678	11,040	10,596
West Bengal	10,223	7,495	10,599	10,599
Meghalaya	Nil	Nil	130	62
Tripura	Nil	Nil	188	66
Total State/ Private Sector Establishments	71,100	44,289	89,999	88,771
CENTRAL SECTOR ESTABLISHMENTS				
Eastern Region	12,247	6,609	15,243	14,366
Northern Region	6,388	4,204	12,764	11,933
Southern Region	9,142	6,278	15,150	14,750
Western Region	7,060	5,098	12,308	11,781
Total Central Sector Establishments	34,837	22,189	55,465	52,830
Grand Total	1,05,937	66,478	1,45,464	1,41,601

COMMERCIAL BANKS AND THE NEW ECONOMIC PROGRAMME

A. C. SHAH

Economic growth with social justice has always been accepted as the principal objective of Indian Planning. However, in practice, the development process came to bypass the downtrodden whose number has multiplied in geometrical proportions since Independence. The feeling of frustration was deepening among the masses. Neglecting the plight of the poor further would have posed a serious threat to the very stability of our society. Realising the gravity of the situation, Prime Minister Smt. Indira Gandhi announced the Twenty-Point Programme in July 1975, which differs from the earlier ones in that the accent is on implementation, and the entire Government machinery as well as other economic and social organisations are effectively geared up to this goal.

This Programme is not a political gimmick but a long-due necessity arising out of socio-economic compulsions posed mainly in the form of aggravating poverty, particularly in rural areas. India cannot think of economic development by leaving out almost half of its population in abject poverty. What is sought to be achieved through the Twenty-Point Programme is the construction, as it were, of the arch of social justice on the two strong pillars of economic growth and price stability. Thus, while emphasising the importance of economic justice, which undoubtedly is the core of the programme, we have to guard

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DR. A. C. SHAH is Assistant General Manager, Bank of Baroda, Bombay.

against the tendency of overlooking the importance of the two pillars.

Not that attempts to attain social justice were altogether lacking in the past. However, such attempts were piecemeal in the form of specialised programmes such as Small Farmers' Development Agency (SFDA), Marginal Farmers and Agricultural Labourers Development Agency (MFAL), Drought Prone Area Programme (DPAP) and similar other programmes initiated and implemented mainly by State Governments. The shortcomings of these programmes were:

They were not integrated with the overall development process;

Other institutions were not involved in the formulation of such programmes; and

Constraints experienced in the form of inadequate resources with the State Governments meant curtailment in such programmes.

All these aggravated the incidence of poverty and increased unemployment. The Programme, therefore, aims at rehabilitating the poor, particularly in rural areas, where the magnitude of poverty is staggering. This Programme is well-integrated into the present strategy.

Rural Poverty

As the country's poverty is concentrated mainly in rural areas, it will be pertinent to have some idea about it. The rural poor occupy a pivotal place in the Programme. Their number is already very large and is rising at an alarming rate year after year.

Over one-fourth of the rural people—47 million—are landless labourers. More than 16 million persons are unemployed. As much as 43.5 per cent of the rural population lives below the poverty line (with a per capita consumption expenditure of Rs. 34 at the 1972-73 price level). A little over half of the operational holdings (35.7 million) belong to marginal farmers, with the size of holdings less than 1 hectare. Another nearly one-fifth of the holdings (13.4

million) belong to small farmers with the size of holdings between 1 and 2 hectares. Thus, 70 per cent of the farm holdings belong to marginal and small farmers.

Even among the rural poor, special mention should be made of Harijans and tribals. Harijans generally belong to the landless class. They number nearly 7 crores. They are scattered all over the country—in every village, town or city. The tribal people are around 4 crores. Two States, Meghalaya and Nagaland, and the four Union Territories of Arunachal Pradesh, Dadra and Nagar Haveli, Lakshadweep and Mizoram, have more than 50 per cent of their total population as tribals according to the 1971 Census. In addition, there are 11 States—Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Manipur, Orissa, Rajasthan and Tripura—which have a substantial tribal population and areas of tribal concentration. Further, Kerala, Karnataka, Tamil Nadu, Uttar Pradesh, West Bengal, Andaman and Nicobar Islands and Goa, Daman and Diu have a large dispersed tribal population.

Strategy

As pointed out by Shri Pranab Kumar Mukherjee, Union Minister for Revenue and Banking, banks are directly concerned with the implementation of 12 of the 20 points of the Economic Programme. These are: procurement and distribution of essential commodities; assistance to landless labourers who are being allotted land and house sites; assistance to released bonded labour; bridging the credit gap following the moratorium on rural indebtedness and its progressive liquidation; implementation of minor irrigation programmes and better utilisation of underground water resources; assistance to the handloom sector; assistance to the holders of national permits for road transport; schemes for supplying essential commodities, books and stationery to students at controlled prices (these are two of the points of the Programme); workers' participation in industries; and the apprenticeship scheme for enlarging employment opportunities, particularly for the weaker sections.

Not all the 12 points to be implemented by banks are new. Some of the schemes—such as distribution of essential commodities, minor irrigation, financial assistance to handlooms and road transport operators—are on-going schemes of the banks. However, the renewed accent on their implementation underlines the urgency with which even the on-going schemes are to be implemented by them. As the ultimate beneficiaries of the Programme are the weaker sections of the community, the existing schemes of banks have been suitably adjusted and new schemes formulated.

Though formulation of various schemes for implementing the Twenty-Point Programme is essential, it should be clearly realised that banks are concerned with individuals, and schemes are only a means to that end. These schemes can serve only as guidelines, for the needs of the weaker sections, spread throughout the country, cannot be generalised under any particular scheme. Thus, the successful implementation of the Programme depends upon the flexibility in the operation of these schemes. The success of banks in accommodating the new clientele should, therefore, be measured by the readjustments attained in their credit portfolios in favour of the weaker sections.

Though finance is important, the needs of the weaker sections are varied, and banks will have to provide even non-financial assistance in many cases. Thus, it would be a package of assistance comprising financial and non-financial help. Not merely production loans will have to be sanctioned, but even consumption loans will be necessary to sustain the new class of borrowers without the help of moneylenders, though these consumption loans will have to be tied to the production capabilities of the weaker sections. In several cases, such capacities will have to be developed simultaneously.

Co-operation with Co-operatives

Basically, banks can help in implementing the Twenty-Point Programme in three ways:

(i) By creating an institutional credit agency as an alternative to moneylenders;

(ii) By reorienting its policies and programmes so as to assist in creating or stabilising gainful employment opportunities, particularly in rural areas; and

(iii) By helping to bring about co-ordination between different financial institutions, on the one hand, and financial institutions and Government agencies, on the other, under the revised Lead Bank Scheme.

Banks can implement the Programme either on their own or jointly with other agencies, including co-operatives. Close co-ordination with co-operatives is very essential for improving the lot of the weaker sections in rural areas. Not only do they have their roots deeply entrenched in the rural soil, but they cover over 90 per cent of the villages and nearly half of the farm families. However, for a variety of reasons, co-operatives have not been able to show the desired results. Nevertheless, in any programme of rural development, they have to be accepted as *senior partners*. Consortia arrangements between commercial and co-operative banks will help to bring about allocation of areas and activities among the consortium members so that duplication of efforts and multiplicity of agencies may be avoided, and the rural population is spared from running from pillar to post. In cases where Primary Co-operative Societies cannot be adequately financed by the District Co-operative Bank, they may be ceded to a commercial bank, for, ultimately, what matters is the welfare of the rural poor, and the agency best suited for the purpose in a given area should be encouraged. However, commercial banks experience a number of difficulties and delays when primary societies are ceded to them. Vested interests in rural areas should not be allowed to obstruct the implementation of the Twenty-Point Programme. The whole idea is to combine the organisational and financial strength of commercial banks with the widespread presence and long experience of co-operative banks in rural areas.

Branchwise Plans

Under the area approach, every rural and semi-urban branch must adopt a certain number of villages for intensive development. The branch should indicate the number of villages which are financed by it, preferably in the office of the concerned block headquarters and village panchayats, and specify in the regional language the various types of activities for which the local population would be accommodated by the branch. The branch agent and the agricultural officer should attend meetings at the block headquarters, village panchayats and schools, so that villagers are informed about the various benefits they may derive from banks It is also essential to involve school teachers in the development work of banks, for they generally have a progressive outlook and better rapport with the local people. They can, thus, help to mould the psychology of the people for change.

The basic idea of village adoption is to avoid scattered loaning. The area or project approach, branchwise, has many advantages in the sense that a plan of action can be prepared for every branch, specifying the activities and the time within which they have to be developed. It should be stressed here that such plans should be as simple as possible so that they can be understood by agents of the remotest rural branches. A sophisticated methodology and model building would only be confusing. Preferably, such plans of action may be prepared by agricultural officers with the help of banking officers, for they would then be more operation-oriented. If necessary, the required know-how may be supplied by the head office of the bank from time to time. It should, however, be ensured that plans are not unduly ambitious. Agencies like the Khadi and Village Industries Commission have got a number of programmes on hand, and many more schemes can be formulated for the benefit of the rural poor. Action plans should closely involve such agencies, together with voluntary organisations of proven worth, so that landless labourers, freed bonded labour, village artisans, marginal and small farmers may

obtain gainful employment with the help of local resources. In fact, a number of such action plans for branches operating in a given district should be integrated into the district development programme.

More important than providing credit to the rural poor is the supervision of the credit-use. In several cases, technical guidance will have to be given for the productive use of credit. All this would entail constant experiments in innovative banking so that suitable schemes are evolved to meet the credit needs of the rural poor on time. It should be stressed here, even at the cost of repetition, that the financial assistance provided to the rural poor in the course of implementing the Twenty-Point Programme should not be equated with charity or subsidy. All-out efforts have to be made to promote the productive use of such assistance in the form of more gainful employment and consequent rise in income. In the final analysis, the increased income of the rural poor would matter most for the success of the Twenty-Point Programme, for only such income would upgrade their living standard. All-out efforts have, therefore, to be made to encourage the spirit of self-help and initiative. To put it differently, the objective of providing financial assistance to the rural poor is to enable them to obtain adequate productive assets and gainful employment on a fairly stable basis.

As most of the borrowers are illiterate, the schemes, forms, procedures and publicity of banks have to be suitably reoriented to meet their needs. There is no reason why the schemes formulated by various banks for implementing the Twenty-Point Programme should differ, for they should be common for all banks. Terms and conditions as well as procedures should also be uniform. Simplification of procedures is very essential, for legal and other formalities have to be kept to the minimum if the rural poor are not to be scared of banks. It is equally essential to print the various forms in the local languages. There should be common publicity for banks in a given district, and such publicity, for obvious reasons, should lay more emphasis on audio-visual media.

Joint Efforts

The recommendations of the Study Group appointed by the Reserve Bank of India to examine the working of the Lead Bank Scheme in Gujarat and Maharashtra have a vital bearing on the implementation of the Twenty-Point Programme, for their main emphasis is on joint efforts for the implementation of "bankable" schemes.

The Lead Bank Scheme has helped in the opening of a number of branches in rural areas which would have been difficult otherwise. Also, the Scheme has provided the basic structure for a consortium approach, which would also have been difficult in its absence. No doubt the consortium approach needs to be strengthened; and the Study Group has made several suggestions for the purpose.

The important recommendations of the Study Group, which deserve immediate attention of banks and concerned agencies, are those relating to the formulation of bankable projects for the lead districts, particularly for the benefit of weaker sections. Only such projects can help to initiate district development in the real sense of the term, for they would be based on the techno-economic viabilities of a given scheme. While formulating District Credit Plans, the lead banks should, therefore, suggest, in concrete terms, the basis on which bankable projects can be prepared for district development. A special section should be added on the scope for implementing the Twenty-Point Programme. This is more important than merely assessing the financial requirements of the various segments of the district economy, which may not have the credit absorption capacity to the visualised extent. The formulation of bankable projects is, therefore, an effective strategy for generating a productive demand for credit. Formulation of projects would take into account the preparation of a scheme, not only from the credit angle, but also from the angles of inputs, management, marketing, and the like.

Bankable projects can be prepared for a period of 3 years to 5 years, depending on the situation in a given district. The credit estimates made in the District Credit

Plan are not the upper limits beyond which commercial banks would not be prepared to loan, for they, too, do not suggest that the indicated amounts would be made available automatically. Thus, the implementation of the Credit Plans in the final analysis depends upon bankable projects and the manner in which they are prepared.

It should be reiterated here that a Credit Plan is not static. It is dynamic in that it is constantly adjusted to the changing situation. The formulation of bankable projects should be dovetailed into a district plan. However, the preparation of bankable projects need not wait till the district plans are complete. In other words, bankable projects can be prepared on the basis of whatever information can be obtained in a district.

The know-how required for the preparation of such projects has to be developed, particularly at the district level. It is, therefore, suggested that Lead Banks should conduct special workshops at State and district levels, where expertise from various disciplines may be involved in the dissemination of the required know-how. Such workshops should include State Government officials and financial institutions, such as commercial banks, co-operative banks, Land Development Banks, Regional Rural Banks, and Farmers' Co-operative Societies. Apart from providing the know-how, the workshops should devote some time to the exchange of views among the participants so that the difficulties experienced by them may be solved and new viewpoints evolved.

Monitoring Essential

Monitoring the progress in the implementation of the Twenty-Point Programme in rural areas has to be effective Suggestions made by the Study Group for rejuvenating the District Consultative Committee would go a long way in this direction. The Group has recommended that membership of the District Consultative Committee should be limited with a view to making it as compact as possible. (Of course, depending on the requirements of the Agenda,

non-members may be invited for particular meetings.) The compact size of the District Consultative Committee is important if it has to take quick decisions and avoid interference by vested interests. Meetings of the District Consultative Committee, which are generally held in district headquarters, should, as pointed out by the Study Group, also be held at tehsil/block headquarters. With a view to involving the outlying branches in district development programmes, special meetings may be called to consider special agenda, such as allocation of credit responsibilities for implementing a District Credit Plan. Again, sub-committees of the District Consultative Committee may be formed to study special problems.

At present, schemes like SFDA and MFAL are jointly formulated by State Governments without involving commercial banks in the process. This must not be done if such schemes are to be made bankable and ensure the required financial assistance. To implement the recommendations of the Study Group, the Reserve Bank has appointed a high power committee to oversee the progress of the scheme. Each Lead Bank will now have to give a district-wise account of the development activities undertaken by it and by non-lead banks. The difficulties experienced in the implementation of the scheme have to bê specified so that they may be sorted out with the concerned authorities Thus, the Lead Bank Scheme, now placed on a systematic basis, can become an effective instrument in the implementation of the new economic programme.

Schemes and Progress

With the announcement of the Twenty-Point Programme, banks formulated special schemes to finance the weaker sections in particular and others in general, in the light of the requirements of the Programme. Particular mention may be made of the following schemes:

(1) Schemes to finance new land allottees, who have been given land for various productive purposes, including crop cultivation, land development, recla-

mation, levelling and development of irrigation potential.

(2) Schemes for financing the freed bonded labourers for the purchase of milch animals, poultry birds, sheep, goats, pigs and also for financing fish farming.

(3) Schemes for financing small farmers, marginal farmers, landless labourers and rural artisans whose debts have been scaled down or liquidated.

(4) Schemes for financing the weaker sections of society for the construction of houses on the sites allotted to them.

(5) Schemes for financing farmers to bring more area under irrigation.

(6) Schemes for financing scheduled castes/scheduled tribes for their various financial needs, including need for consumption finance.

(7) Schemes for financing weavers for the development of handlooms.

(8) Schemes for financing retail traders for the supply and distribution of essential commodities.

(9) Schemes for financing various crafts sponsored by the Khadi and Village Industries Commission.

(10) Schemes for financing transport operators holding national permits.

(11) Schemes for financing traders undertaking the supply and distribution of quality cloth.

(12) Schemes for financing the weaker sections under the rehabilitation programme.

Credit Guarantee Corporation

The Union Government appointed a Working Group under the chairmanship of Shri S. S. Shiralkar, the then Deputy Governor, RBI*, to formulate a scheme to protect the

* Reserve Bank of India.

banks against the risks involved in financing small farmers. Following the recommendations of this Group, the Credit Guarantee Corporation of India Ltd. was set up to pool the risks of commercial banks in advancing small loans for agriculture and cover them by a common and centralised scheme. The Corporation formulated the Guarantee Scheme (Small Loans), which came into force from April 1971. Under the scheme, credit facilities were extended by scheduled commercial banks to farmers engaged in cultivation and allied agricultural operations. A guarantee fee of one-half of one per cent is charged on the amount outstanding on account of eligible credit facilities.

The scope of this Credit Guarantee Corporation of India has been extended to cover consumption loans, as also loans sanctioned for the purchase/construction of houses/tenements under the Twenty-Point Programme. The particulars regarding credit facilities eligible under the cover, ceiling limits, etc, are given in the Annexure, Table V.

Although banks are required to submit quarterly progress reports of the work done by them under the Twenty-Point Programme, no detailed information has been made available by the authorities so far. However, one may hazard a guess, based mainly on newspaper reports, that during the first year ending June 1976, banks will have provided around Rs. 200 crores under various schemes formulated by them. This, however, is only a beginning. They will have to do considerable thinking, undertake innovative experiments, evaluate their performance and draw lessons from them so that they can successfully devise an alternative credit agency for the poor as an integral part of the total banking system.

With the moratorium on, or liquidation of, rural indebtedness, the first and foremost task is to set up an alternative institutional credit structure. Any delay in doing so will only aggravate the problems of the poor. Instances have come to light where, taking advantage of the transitional period, moneylenders have forced the rural poor to

part with whatever little they had—utensils, ornaments, bullocks and milch cattle and even land. All this happens in a surreptitious manner and because of the helplessness of the poor. It should be ensured that moneylenders do not take refuge under the complexities of the law and that they are not allowed to go underground. Concealed money-lending in fact is more pernicious than the open.

Five-fold Rise

Experience has revealed that those who are in dire need of relief from indebtedness and alternative sources of credit on easy and fair terms are socially and economically so weak and lacking in organisation that they are unable to safeguard even such rights as are conferred on them by law. They have no way or means to approach the courts or enforcement agencies. In a majority of cases, there are no written contracts and no records which the rural poor may rely upon. Much of the extortion is suffered by them under threats and coercion. The social structure in rural areas and the established relationships between farmers and landlords and between tenants or agricultural workers and bigger landlords work relentlessly against the landless and their rights. Because of these facts, the question of relief from indebtedness and the opening of alternative sources of credit acquire altogether different and bigger dimensions and complexities.

The challenge of building up the rural banking structure is very formidable. Already, some work has been done. It is necessary, however, to review the progress achieved by the different agencies, particularly with the help of banks. In future, efforts in depth integrating co-operatives and commercial banks will have to be intensified. No rigid pattern, however, should be prescribed. Enough scope should be allowed for experimentation and innovation. In this connection, it may be mentioned that banks have shown enough dynamism in recent years. Left to themselves and entrusted with a definite task, they are capable of building up a sound credit system for rural areas.

Agricultural advances—direct and indirect—by the public sector banks have increased markedly from Rs. 162.29 crores in June 1969 to Rs. 842 02 crores in September 1975, showing a more than five-fold rise in about six years. The progressive rate of growth of advances from year to year reveals that, in the very first year of nationalisation, it was about 85.8 per cent, and thereafter it was 24.3 per cent in June, 1971, and 29.3 per cent in June 1972. There was, however, a phenomenal increase in the growth rate at the end of June 1973 (49.4 per cent), followed by 72 per cent in 1974 and 112.4 per cent in 1975. A more or less similar growth pattern has been observed in regard to the increase in the number of borrowal accounts (beneficiaries). They increased from 1.64 lakhs to 23.9 lakhs during the period from June 1969 to June 1975. Initially, the increase recorded was 283.9 per cent, which was then followed by 112.7 per cent in 1971, 154.5 per cent in 1972. From June 1973, there has been a "leap-and-bound" rise in the number of beneficiaries.

The proportion of the public sector banks' agricultural advances to their aggregate credit, which formed only 5.5 per cent in June 1969, has increased to more than 8 per cent between June 1970 and June 1974. It further rose to the level of 10 per cent in June 1975 and 11 per cent in September 1975. Similarly, the share of agricultural advances, expressed as percentage of priority sector advances, has fluctuated between 40.4 per cent in June 1970 and 34.7 per cent in June 1974. It was 36.8 per cent (June 1969), 40.4 per cent (June 1970), 37.4 per cent (June 1971), 36.6 per cent (June 1972), 36.1 per cent (June 1973), and 34.7 per cent (June 1974). The share abruptly increased to 38.4 per cent in June 1975 and to 39.0 per cent in December 1975.

Rural Banks

Not only have banks substantially stepped up their advances to agriculture; they have also sponsored or supported other agencies which have been making steady progress. The concept of regional rural banks was thought of because the picture regarding the provision of easy and

soft credit to small and marginal farmers as well as artisans was dismal. Moneylenders were charging interest rates ranging from 30 per cent to 50 per cent. If the new Economic Programme for social justice and economic development is to be effectively implemented, small and marginal farmers, landless labourers and village artisans with meagre means have to be given preferential treatment. The setting up of rural banks was, therefore, very essential in view of the elimination of moneylenders and the system of bonded labour.

The new regional rural banks, though basically scheduled commercial banks, differ from the latter in the sense that:

(i) Their area of operation is limited to a specified region comprising one or more districts in a State;

(ii) They grant loans and advances mainly to small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities;

(iii) The lending rate of these banks is not higher than the prevailing lending rates of co-operative societies in any particular State; and

(iv) The salary structure of employees is prescribed by the Union Government, having regard to the salary structure of employees of a State Government and local authorities of comparable level in the area of operation of a particular bank.

These banks supplement rather than supplant the existing institutions in their endeavours to help the rural poor. In fact, the Report of the Working Group has stated that the setting up of new institutions should not in any case lead to a let-up in the pace of either rural branch expansion or extension of rural credit by commercial banks, and the progressive widening of the area of credit coverage by co-operatives. However, the Report acknowledged the necessity of some broad division of geographical and functional responsibilities between regional banks, on the one hand, and the existing agencies, on the other. Otherwise,

the Working Group feared, they might compete in sharing the existing business activity. The Group also wanted the emphasis to be on covering different areas more intensively, and suggested, as a first step, that the Reserve Bank's branch licensing policy be so modified as to ensure that no new branches of commercial banks are set up in the "commercial area" of rural banks.

Forty regional rural banks have so far been established in different parts of the country, and 10 more such banks would be opened before the end of March 1977. According to official sources, the first five rural banks established in October last year had opened 91 branches and mobilised Rs. 170.46 lakhs by way of deposits till 30 November 1976. These five banks directly financed 20,995 small and marginal farmers and agricultural labourers to the tune of Rs. 136.13 lakhs. Another amount of Rs. 58.61 was disbursed to 6,584 rural artisans and other categories of borrowers.

The Union Government has now decided to increase the number of these banks from 50 to 60. The decision to increase their number is the result of anxiety on the part of Government to ensure the availability of credit to the weaker sections of the community—to small and marginal farmers, rural artisans and craftsmen in rural areas—who were not adequately served by commercial banks and co-operatives.

In short, 33 rural banks, which have now been in operation for over a period of 12 to 14 months, have opened a total of 372 branches A total of over 80,000 persons had opened accounts, and their deposits stood at about Rs. 4.65 crores as on 30 November 1976. About Rs. 3.70 crores had been disbursed among 54,062 persons, mostly small and marginal farmers and agricultural labourers. Besides, Rs. 1.56 crores were given by way of assistance to 23,338 rural artisans. In all, 77,400 persons received loans totalling Rs. 6.11 crores from these thirty-three rural banks during this period.

Of late, some pressing problems, obstructing the smooth operation of regional rural banks, have come to

the surface. Of these, those worth mentioning pertain to (i) the mobilisation of deposits from rural areas where there is not much scope for saving, and (ii) disbursement of loans to scattered borrowers who have been in the tight grip of moneylenders and traders. Obviously, the question of the viability of a regional rural bank should be of serious concern.

Financing PACS

As at the end of December 1975, twenty-two commercial banks, participating in the scheme, had taken over 2,958 Primary Agricultural Credit Societies (PACS) for financing through 389 branches in 11 States in which the scheme was in operation, namely, Andhra Pradesh, Assam, Bihar, Haryana, Jammu & Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Uttar Pradesh and West Bengal. The average number of societies per branch of a commercial bank worked out to 7 against the norm of 10 societies required for operational viability and the maximum use of the field staff at the branch level. At the end of December 1975, commercial banks had issued short-term agricultural loans of Rs. 12.57 crores to 1,545 societies during the kharif season of 1975 and Rs. 3 crores to Rs. 4 crores to 583 societies during the rabi season of 1975-76. They had also issued medium-term loans amounting to Rs. 70.88 lakhs to 259 societies and sanctioned cash credit limits amounting to Rs. 95.07 lakhs to 263 societies during 1975-76 (till the end of December 1975). The total short-term agricultural loans outstanding against societies amounted to Rs. 22.75 crores at the end of 1975 compared with Rs. 17.31 crores at the end of 1974. The recovery performance of commercial banks in respect of loans disbursed to societies was 57 per cent of the demand during 1974-75. Since the inception of the scheme (June 1970) and till the end of December 1975, new members, numbering 2.53 lakhs, had been admitted to the societies taken over by commercial banks, thus increasing the total membership of all societies taken over by commercial banks to 6.62 lakhs at the end of

1975. The average membership per society in all the States taken together increased from 197 in 1974 to 224 in 1975.

However, the progress achieved is not very encouraging because of the following factors:

(a) The unwillingness of the PACS/Central Banks to sever their connections with Central Co-operative Banks/Societies and the reluctance of commercial banks to take over overdue liabilities of the societies;

(b) The tendency of borrowers not to pay back the co-operative dues;

(c) Inadequate support from non-officials as well as the staff of the co-operative department;

(d) Difficulties faced by commercial banks in effecting recoveries;

(e) Absence of full-time paid secretaries in most of the societies; and

(f) Inefficient management.

Farmers' Service Societies

The lack of integration of credit with other services and supplies compels small and marginal farmers to run from pillar to post. For instance, they have to approach co-operatives and commercial banks or land development banks for financial accommodation, dealers and suppliers for the purchase of inputs, extension agencies for technical guidance, custom service units for hiring equipment, marketing societies for sale of produce, and so on. This naturally causes them a lot of inconvenience, and their job is often not done. The National Commission on Agriculture, in its interim report on credit service for this category of borrowers, has pointed out that the problem of agricultural credit has been one of providing an integrated credit service to borrowers—that is, of providing credit and simultaneously offering facilities for its conversion into inputs and services. The Farmers' Service Society (FSS) has, therefore, been conceived as an organisation which will throw open its membership

to all farmers, particularly to small and marginal farmers. As an agency, it would extend credit and also provide a package of services. Accordingly, about 100 societies are reported to have been registered all over the country. The progress made in organising farmers' service societies, however, has been somewhat tardy, perhaps because certain essential preconditions in the way of decisions regarding the future status of other existing societies in the area and provision of managerial and technical support to the societies were not laid down in the case of the organised societies.

Right from the time the Second Five-Year Plan was formulated, all have been talking about viable multi-purpose societies and professionalisation of management. Resolutions have often been adopted in the past but little has been done to implement them. In November 1958, the National Development Council Resolution on Co-operative Policy mentioned, *inter alia,* that the co-operative movement should bring within its fold all villages and all rural families in as short a period as possible, and, at any rate, not later than the end of the Third Plan. However, today we are well into the middle of the Fifth Five-Year Plan, without even fully accepting the concept of universal membership. The question of viability of the PACS was considered at the Conference of State Ministers at Hyderabad in June 1964, and it was recommended that a society should have, among other things, the ability to appoint a full-time qualified and paid secretary if it was to be considered viable. However, today hardly a third of the societies have full-time paid secretaries. The co-operative banking system itself often comes in the way of the PACS being ceded to commercial banks, despite their inability to take care of them.

The States have agreed to reduce the total number of PACS from 1.53 lakhs to 1.22 lakhs. In the States of Karnataka, Kerala, Tamil Nadu, Madhya Pradesh, Orissa and Gujarat, the progress of reorganisation appears to be encouraging. It is possible that the reorganised co-operative societies with full-time paid secretaries may be able to

cover the whole of these States in a short time. In Uttar Pradesh, out of 13,800 societies, 5,236 are having full-time paid secretaries. The corresponding figure for West-Bengal is 2,600 out of a total of 7,000 societies. If the reorganisation process is somewhat speeded up, they may be able to cover substantial areas. In Andhra Pradesh, 2,000 societies out of 10,000 and in Bihar 2,500 societies out of 15,000 have full-time paid secretaries. The States of Haryana, Punjab and Maharashtra have a comparatively strong co-operative credit structure. Maharashtra has a plan for reducing the total number of PACS from 18,500 to 9,500. The reorganised structure of co-operatives will greatly help in organising joint efforts with commercial banks.

Tribal Needs

Assuming that the necessary efforts are forthcoming on the supply side, there are at least three special problems which deserve particular mention in view of their importance. They are: credit requirements of the tribals, consumption finance and the problem of converting potential demand for credit into an effective one.

The tribal development programmes during the Fifth Plan envisage an outlay of Rs. 925 crores by the States. In addition, the Centre will give Rs. 200 crores. The States had allocated Rs. 110 crores and the Centre Rs. 20 crores in 1975-76. This year's estimates are Rs. 210 crores and Rs. 40 crores respectively. In other words, money will not be wanting for tribal development. What is really required is an effective organisation which would work with a missionary zeal. The right type of personnel should be posted for such work so that they could become friends, philosophers and guides of the tribals. They should explain, in a language and a manner which would be intelligible to the tribals, the measures that have been taken, and are being taken, for their benefit. Government should end all types of exploitation of the tribals. Legislative action has already been taken to prevent alienation of land from the tribals and to return to them the land which had passed on to the non-tribals. The Government of Maharashtra

deserves credit for being the first to liquidate tribal debts fully, to prohibit lending in cash or kind by moneylenders to the tribals and to ban the marketing of the agricultural produce of the tribals by traders. Simultaneously, it has made rapid efforts to fill in the gaps that may arise as a result of such a far-reaching progressive measure. It is hoped that other States will follow the lead given by Maharashtra.

The requirements of the tribals are very meagre and elementary. The debt per family rarely exceeds Rs. 500, most of which is incurred for consumption needs like grains during the off-season, cloth and a few articles of groceries. Often they incur expenditure on marriages and funerals far beyond their means. They receive a great deal of help by way of subsidy from the Government. Credit agencies will have to first determine the nature and extent of credit required by the tribals in the changed context. They will have to be taught the difference between credit and subsidy or charity. Further, elementary credit discipline will have to be inculcated in them. They will require close and continuous supervision. Credit agencies will have to follow them like moneylenders minus the moneylenders' penchant for exploitation. This is a very challenging task.

Helpful Factors

Banks will have to proceed very systematically. There are three helpful factors at present. First, tribal sub-plans offer a number of ready-made schemes which, with minor modifications, can be made bankable. Secondly, Government machinery and laws were never so favourable as they are now. Thirdly, special credit agencies in the form of Large-sized Agricultural Multi-Purpose Societies (LAMPS) have been organised which could become an effective medium for banks. Already, there are 100 such societies in different parts of tribal areas.

States having more than 50 per cent of tribal population are supposed to have their sub-plans for tribal development, and the Central Government would give help to augment their efforts. The sub-plan formulation process

will induce decision-making at a lower level, and a micro-plan for each distinctly different socio-economic region will be worked out and backed by a proper philosophy of development. The sociological and economic factors inhibiting tribal response will be taken into account while formulating programmes for improving their capabilities. Administrative and institutional structures will also be re-conditioned and restructured for the purpose. Integrated tribal development projects are also proposed to be undertaken in selected districts of 11 States.

While formulating tribal development schemes, care should be taken to ensure that benefits reach the weaker sections in dispersed areas. Tribal development, it should be stressed, is the responsibility of all—financial and non-financial institutions, as well as Government and other voluntary organisations in the field. Another point, which should be emphasised, is that area development of the tribal region should not be equated with tribal development. There are several instances which show that even large-scale industries located in tribal areas have failed to usher tribal betterment in the vicinity.

Moreover, the apprehensions of tribals to approach an institutional set-up will have to be contained and removed The net disinvestment process, which has continued in tribal areas for generations, will also have to be reversed. This cannot be done merely by adopting improved technology, for the absorption capacity of tribals is limited. The process has to be slow, entailing its subsidisation for quite some time This also means that credit needs of the tribals in the initial stages will be very limited and the norms applied for assessing such needs in other areas will not be applicable in tribal regions. This should be borne in mind by financial institutions, for credit sanctioned in excess of what is actually required is very likely to be misutilised.

Barter Economy

The tribal, it should be noted, is not a sophisticated person who can distinguish between consumption and production loans or between his different needs. There are no

sectors in the tribal mind, and the problem of tribal poverty will have to be tackled in its totality. Financial assistance to be sanctioned in tribal areas has to take into account the land-ownership patterns and evolve some sort of group guarantees and also other securities with a view to helping them. The loan should be income-generating and self-liquidating in due course. Also, loans will have to be granted for consumption purposes in addition to those sanctioned for production and marketing activities. Even socio-religious needs will have to be catered to by financial institutions if the tribal community is not to be exploited by usurers.

The Task Force of the Planning Commission for the Development of Tribal Areas during the Fifth Plan has pointed out that the tribal economy still rests considerably on the barter of commodities and services, and that most loan transactions are carried out not in money but mainly in labour and kind. Seeds and other necessities of life are exchanged for future real goods as well as labour. Apart from the basic necessities of life, socio-religious rituals are yet another reason which accounts for tribal indebtedness. The Study Group on Relief from Indebtedness, Land Alienation and Restoration in Tribal Development Agency areas has rightly stressed that the present burden of indebtedness has far outgrown the repaying capacity of tribals, and is, therefore, acting as a serious drag on their economic development. Those who desire to rescue the tribal community from the clutches of usurers will first have to understand the mechanism of tribal economy, for only this will avoid the vacuum in tribal areas and the hardships associated therewith in the form of lack of markets, both for produce and labour.

Extent of Indebtedness

Though no firm figures are available of the non-productive credit needs of tribals, isolated studies indicate that about 60 per cent of tribal families are indebted, and the average loan per family is about Rs. 300. It has been further assessed that tribal debt in the country may be of the order of Rs. 240 crores, 60 per cent of which is estimated

to have been obtained from moneylenders, for financial institutions have not yet made a dent in tribal economy. It is further estimated that the non-productive outstanding loans of tribals may not be less than Rs. 100 crores. About one per cent of the indebted families, that is, about 80,000, are said to be bound by very adverse service relationships with their creditors. Assuming that the per family debt is Rs. 300, the total debt for this category of families would work out to Rs. 2 4 crores.

Since co-operative credit in tribal areas by the end of the Fifth Five-Year Plan is expected to work out to Rs. 169 per household, a total allocation of Rs. 60 crores has been recommended for the same. Similarly, for providing legal assistance, a sum of Rs. 1 crore has been suggested. For quickly setting right unsatisfactory land records, the Tribal Research Institute is expected to help the revenue authorities in formulating definite schemes. A provision of Rs. 10 crores has been recommended for this.

Package of Services

Notwithstanding the provision of debt relief from existing indebtedness, it should be ensured that tribals do not again become indebted to private moneylenders. This would depend upon the avenues for gainful employment thrown open to them and a fair return for their labour. The Study Team on Co-operatives in Tribal Development, therefore, examined the adequacy of the working of co-operative organisations in the concerned States and made recommendations for strengthening the co-operative set-up in six project areas. Further, it also examined the need for setting up and utilising some specialised agencies to channelise credit to tribals and to link marketing functions with it. The Team has rightly emphasised the provision of a package of services, comprising credit for production and consumption purposes. Further, it has recommended that the marketing of produce, both agricultural and minor forest, be linked with the provision of credit for other purposes.

The Team has further recommended that a primary society dealing with individual tribals should provide all the important required services comprising the provision of short- and medium-term production and consumption credit, to be recovered from the sale of minor forest and agricultural produce. It has further recommended that suitable higher level organisations should be pressed into service to support, supervise and guide the activities of primary societies. To ensure a fair deal to tribals, co-operatives of Adivasis should be given the exclusive right of collection of minor forest produce; and to ensure reasonable prices for forest produce to be purchased by co-operative societies in the project areas, State Governments have agreed to subsidise forest rentals and establishment charges to the extent of the losses sustained, so that these may not be recovered from tribal members.

Conditions for Credit

For consumption and social purposes, it is suggested that credit limits may be fixed at Rs. 50 per tribal member, to be recovered from the price payable to him from the sale of minor forest produce. In order to create confidence among tribals, the Team has suggested that the amount of overdues outstanding for more than 3 years may be converted into medium-term interest-free loans, repayable in five annual instalments. Co-operative institutions, it has been suggested, should provide medium-term loans for a period not exceeding 5 years to enable tribals to pay off their old debts at a rate of interest not exceeding six per cent.

It has been observed that one of the reasons for overdues in tribal areas was that short-term loans were given for medium-term purposes such as the purchase of bullocks, etc. It is, therefore, essential to provide adequate medium-term loans for the purchase of cattle, sinking of wells, installation of pumpsets, and the like. Subsidy, to be made available by the Tribal Development Authority (TDA) to individuals for these purposes, should be treated as the tribals' own involvement and the remaining amount can

be provided by the co-operatives as loans. For long-term credit, it was recommended that State Governments should provide a general guarantee in cases where tribals cannot alienate their land. The Secretaries' Committee observed in this connection that land development banks may advance long-term loans to tribal tenants, at rates of interest not exceeding six per cent, to acquire land-ownership rights from non-tribal landlords.

Since a tribal is not to be expected to meet any part of the requirements of the economic programmes from his resources, the subsidy made available to him would be considered as his contribution. Further, three per cent of the loan given to a tribal may be collected as his share capital and, in addition, one per cent of the annual value of the total marketed produce may be collected as an additional share capital. The latter is to be done only when the total turnover of the individual for every year exceeds Rs. 100.

Consumption Finance

In subsistence farming areas, small and marginal farmers as well as agricultural labourers have to go to moneylenders for their consumption requirements during the lean period—May to October. This problem, however, is not acute in double-cropped and irrigated areas. The debt incurred as a result becomes a non-liquidated debt because of the exorbitant interest charged. In order to mitigate this evil, the Central Government had, in 1975, appointed a Committee under the Chairmanship of Shri B. Sivaraman, Member, Planning Commission, to assess consumption credit requirements and suggest means of meeting them. The Committee has, after a thorough study, made a number of recommendations for consideration and implementation. It has rightly recommended the grant of consumption loans for various purposes such as medical expenses, educational needs, expenses relating to marriages, funerals, births and certain religious ceremonies. The latter type of expenses has no doubt to be discouraged. However, this would take time; and denying loans to meet these needs in

the meantime would be tantamount to driving the poor into the clutches of moneylenders, through the backdoor, of course.

had already issued guidelines to all the State Governmentt had already issued guidelines to State Governments discharged and debts of those cultivators holding land upto 2.5 acres of unirrigated land should be taken as totally discharged and debts of those cultivators holding land between 2.5 acres and 5 acres should be scaled down, depending on the extent and nature of debts. Those whose debts were to be scaled down are farmers and tenants engaged in subsistence farming, who require consumption loans during the lean season when the crops are in the fields. Such loans are generally paid back in kind and sometimes in cash, when the harvest season begins. The Committee, therefore, took this as the general pattern of consumption credit.

It also carefully considered the type of consumption loans that would be legitimate along with the levels of loans under each of these heads and recommended the basis and the ceiling of consumption loans. Taking into account all the factors, the Committee suggested that a maximum amount of Rs. 250 per family may be advanced by way of consumption loans. Again, in view of the importance attached to education in rural areas, the Committee advocated the provision of expenses on books and stationery not exceeding Rs. 100, even when free education is expected to be provided to poor students. It also suggested that a maximum of Rs. 250 be advanced to meet marriage expenses. This amount, however, cannot in any case be made available towards payment of dowry in any form.

Controlled Employment Scheme

The Committee estimated that the consumption requirement of the lowest sections of the population—*i.e.*, those with holdings between nil or 0.01 acres and 0.5 acres —at Rs. 170 crores and those with 0.5 acres and upto 5 acres at Rs. 125 crores. It pointed out that there would still remain large areas (grey areas, as these are called) in the

country where institutional arrangements for providing consumption credit would not be immediately possible and, therefore, State Governments would have to step in to meet the needs of the people in those grey areas

For recovery of consumption loans, the Committee was of the view that a system of controlled employment scheme would be of great advantage because of the fact that agricultural labourers and marginal farmers live mainly on wages either on a weekly or daily basis. In order, therefore, to solve the twin problems of provision of employment and recovery of consumption loans, the Committee recommended that State Governments should evolve employment programmes on the model of the Employment Guarantee Scheme of the Maharashtra Government.

The Committee also recommended the opening of fair price shops staightaway in areas where the tribals conglomerate and where large-sized multi-purpose societies cannot be immediately formed. Besides, State Governments have been advised to take immediate steps to ensure that as much of the minor forest produce as possible of the tribal areas is collected at fair prices through departmental agencies. It has, moreover, recommended the granting of loans against gold and silver ornaments. In South India, particularly in Tamil Nadu and Kerala, commercial banks have been granting such advances for quite some time. The need for stepping up such loans to the needy for consumption purposes has been further stressed. It is in this connection that the Reserve Bank has now permitted Central Co-operative Banks all over the country to advance loans not exceeding 10 per cent of their demand and time liabilities to individual borrowers against gold and silver ornaments.

Realising the high degree of risk involved in giving pure consumption loans to the poor, the Committee has suggested the creation of a risk fund assistance limited to 10 per cent of the total quantum of loans advanced as pure consumption loans. The risk fund will have to be shared equally by Central and State Governments. The Committee has also suggested a risk margin assistance scheme for co-operatives and commercial banks. It has visualised

the need for an additional amount of Rs. 295 crores of consumption credit for the rural poor to be met through various agencies.

All banks have formulated schemes for meeting consumption credit requirements within the framework of the Committee's recommendations. Although no data are available, the progress appears to have been slow for obvious reasons. Following, however, the greater integration of co-operatives and banks, on the one hand, as also of banks and specialised agencies such as SFDA, MFAL, TDA, etc., on the other, banks would be able to play their part more effectively.

Effective Demand

It is also imperative to remove the constraints on the demand side. After all, demand for credit is a derived demand—derived from the increasing tempo of development in agriculture. The crux of the matter is that the bulk of cultivators being small, their ability to use borrowed funds for productive purposes is very limited. A larger percentage of small farmers' holdings is under food crops, creating thereby what is known as subsistence farming. Since the production of such farmers is mostly for self-consumption, a very small proportion of it enters the market, if at all. This kind of situation is not conducive to the institutional system of credit. Subsistence farming areas, having a large number of small farmers, have very low capacity for the absorption of credit. In any programme of expansion of institutional credit, therefore, cognizance must be taken of this fact.

Mostly as a result of this situation, the general experience is that institutional credit mostly goes to big and medium cultivators in developed regions and areas which are highly commercialised. Thus, small farmers and subsistence farming areas, both of which are predominant in our country, have yet to be effectively covered.

Small farmers have holdings of a tiny size and, therefore, the gross value of their produce is low, So is the

share of agricultural produce in the total cash receipts. This implies that agriculture for these cultivators is only a subsidiary occupation of low significance. Borrowings by these cultivators are no doubt meagre; but what is important is the fact that a larger portion of the borrowings is utilised to meet consumption expenditure. This fact shows the risks involved in financing the needs of small and marginal farmers.

In order to minimise risks of heavy bad debts, it is necessary to tackle the problem in two ways. First, credit institutions should suitably revise their lending policies as regards the small and marginal farmers as well as artisan borrowers by charging a lower rate of interest, by supervising the productive use of credit and by co-ordinating their activities with extension and other developmental agencies, operating within the area of operation of the society. In other words, they will have to adopt a programme very similar to that of supervised credit. In the ultimate analysis, however, the remedy lies elsewhere. A greater help will be rendered to them by either a readjustment of the agrarian structure which helps to enlarge their holdings—maybe even through co-operative farming—or by training them to improve their operative efficiency so that gradually they can get gainfully absorbed in the development process. The problem of small and marginal farmers as well as village artisans is fairly complicated, and needs to be solved in a wider context of rapid economic development. Banks and other credit agencies can play a crucial role in ensuring that the transition takes place systematically and smoothly

ANNEXURE

Institutional Finance for Agriculture

During the last decade or so, the progress of institutional finance for agriculture has been quite impressive. The volume of credit increased nearly five-fold during the period between 1961-62 to 1974-75— from Rs. 250 crores to Rs. 1,165 crores. The share of institutional finance in total farm cre-

dit increased from 7.3 per cent in 1951-52 to 18.7 per cent in 1961-62 and to 46 per cent in 1974-75.

This compares very favourably with countries recording an impressive breakthrough in institutional finance like Brazil from 11 per cent to 25 per cent between 1960 and 1970 and a five-fold increase in Thailand between 1966 and 1970.

New institutional arrangements have been made to fill major gaps in the system. Particular mention may be made of ARDC, commercial banks, regional rural banks and of revitalised co-operative credit institutions.

Considerable thinking has been going on as to how the process of institutionalisation can be speeded up with a view to:

(i) Eliminating the need for moneylenders; and

(ii) Modernising agriculture, converting it into a progressive sector of the economy capable of absorbing the fruits of science and technology.

Institutional Framework

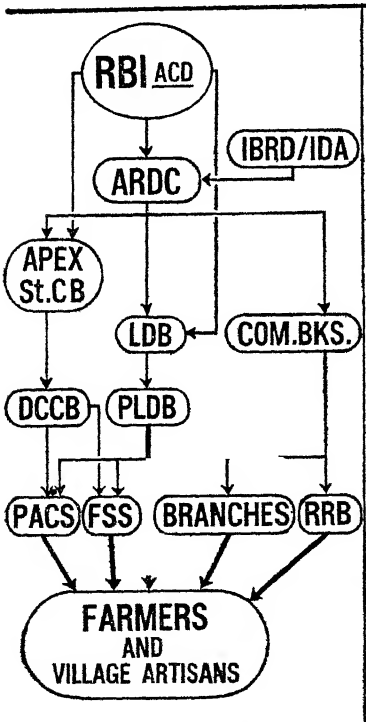
The institutional framework is like an inverted pyramid (see the chart on the next page), *with the Reserve Bank of India (RBI) constituting the base*. The role of this Bank has been very crucial right from the time it came into being. Every institutional financial agency has its roots in the RBI soil, as it were. It draws it sustenance—nutrients of growth—from it. The RBI conceives such institutions, sponsors and nurses them, and supports them financially and otherwise. It looks after their financial health; above all, it takes care to ensure that institutions, once created, attain their full potential and do not die at all. In this, the RBI has a very proud record, perhaps unparalleled in any other developing country.

The Reserve Bank operates through the Agricultural Credit Department (ACD) and the Agricultural Refinance and Development Corporation (ARDC). The Agricultural Finance Corporation (AFC), a joint venture of commercial

banks, is also virtually under its care. The RBI has two Funds—the National Agricultural Credit (Long-Term Operations) Fund (with Rs. 400 crores at its disposal at the end of June 1976) and the National Agricultural Credit (Stabilisation) Fund, with Rs. 145 crores at its disposal.

Banks started taking interest in agricultural finance in the latter half of the 'sixties. Their operations particularly picked up since their nationalisation in July 1969. Till that time, institutional finance for agriculture was synonymous with co-operative finance. It is in this context that one has to appreciate State support to co-operative institutions.

SCHEMATIC PLAN OF INSTITUTIONAL SOURCES OF RURAL CREDIT



IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION (AN AFFILIATE OF WORLD BANK)
RBI.	RESERVE BANK OF INDIA
ACD·	AGRICULTURAL CREDIT DEPARTMENT
ARDC.	AGRICULTURAL REFINANCE & DEVELOPMENT CORPORATION
LDB	LAND DEVELOPMENT BANKS: 19
PLDB.	PRIMARY LAND DEVELOPMENT BANKS: 872
St.CB	STATE CO-OPERATIVE BANKS:26
DCCB	DISTRICT CENTRAL CO-OPERATIVE BANKS:341
PACS	PRIMARY AGRICULTURAL CREDIT SOCIETIES. 1.53 LAKHS
FSS.	FARMERS SERVICE SOCIETIES: 106
COM BKS	COMMERCIAL BANKS: 74 RURAL BRANCHES: 13,548 (Dec 1975)
RRB:	REGIONAL RURAL BANKS:40

ANNEXURE

Table I
PROGRESS OF CREDIT (CO-OPERATIVE MOVEMENT) IN INDIA

(Amount in Crores of Rupees)

Type of Institutions	*Co-operative Year*		
	1972-73	1973-74	1974-75*
(A) State Co-operative Banks:			
(i) Number	26	26	26
(ii) Borrowing from the R.B.I.	246	236	377
(a) Of which, short-term agricultural	155	154	212
(iii) Loans issued	1,135	1,162	1,244
(iv) Loans outstanding	635	706	720
(a) Of which short-term agricultural	367	400	381
(v) Percentage of (ii-a) to (iv-a)	42	39	55
(B) Central Co-operative Banks:			
(i) Number	344	341	341
(ii) Borrowing from R.B.I./Apex Bank	398	449	537
(iii) Loans issued	1,412	1,595	1,838
(iv) Loans outstanding	1,028	1,163	1.344
(C) State/Central Land Development Banks:			
(i) Number	19	19	19
(ii) Loans issued	171	147	184
(iii) Loan outstanding	849	914	993
(D) Primary Agricultural Credit Societies:			
(i) Number (in thousands)	155	154	153
(ii) Membership (in thousands)	33,528	34,956	35,851
(iii) Borrowings	858	918	1,035
(iv) Loans issued	776	762	889
(v) Loans outstanding	979	1,055	1,165

* Provisional.

Source: Annual Report and Trend and Progress of Banking in India, R.B.I. Bulletin, July 1976.

Table II

RESERVE BANK CREDIT TO CO-OPERATIVES 1975-76

(Amounts in Crores of Rupees)

Items	1975-76 (July-June) *Limits sanctioned*	*Drawals*	*Repayments*	*Outstanding*
1. *Short-term:*				
(i) Seasonal agricultural operations	611.89	899.73	965 28	146.60
(ii) Marketing of crops other than cotton and kapas	37.37	--	0.49	Nil
(iii) Marketing of cotton and kapas	—	21.89	31.97	0.17
(iv) Purchase and distribution of fertilizers	47.05	62.92	61.81	19.91
(v) Loans to ARDC	15.00	1.70	—	1.70
2. *Medium-term:*				
(i) Agricultural purposes	11.59	7.18	7.48	15.35
(ii) Conversion of short-term loans into medium-term loans in scarcity affected areas	50.48	41.81	45.60	78.76
3. *Long-term:*				
Loans to ARDC	60.00	60.00	9.80	138.40

Source: Annual Report and Trend and Progress of Banking in India, R.B.I. Bulletin, July, 1976.

Table III

ADVANCES OF PUBLIC SECTOR BANKS TO AGRICULTURE AS AT THE END OF JUNE 1975

DIRECT FINANCE

(*Rs. in lakhs*)

No. of Accounts					Amount outstanding				
June 1969	June 1972	June 1973	June 1974	June 1975	June 1969	June 1972	June 1973	June 1974	June 1973
1,600,20	9,265,83	12,459,86	16,301,27	20,663,98	40,20	231,89	297,84	391,58	511,64

INDIRECT FINANCE

No. of Accounts					Amount outstanding				
June 1969	June 1972	June 1973	June 1974	June 1975	June 1969	June 1972	June 1973	June 1974	June 1975
44,61	14,42,05	19,27,33	25,36,44	32,29,95	122,09	156,58	170,85	194,10	256,57

Data are provisional.

Source: Current Banking Statistics, Government of India, Department of Revenue and Banking

Table IV

DISBURSEMENT OF REFINANCE—PURPOSEWISE

(Rs. lakhs)

	Purpose	*Total (upto 30th June* 1975)	1975-76	*Total upto* 1976
1.	Minor Irrigation	33,822 (79.9)	10,818 (63.2)	44,602 (75.2)
2.	Land development/ Conservation Reclamation/Soil	3,003 (7.1)	492 (2.8)	3,495 (5.8)
3.	Farm Mechanisation	1,893 (4.5)	4,575 (26.7)	6,504 (10.8)
4.	Plantation/Horticulture	1,329 (3.1)	307 (1.8)	1,636 (2.7)
5.	Poultry/ sheep Breeding	96 (0.2)	68 (0.4)	164 (0.3)
6.	Fisheries	464 (1.1)	243 (1.4)	707 (1.2)
7.	Dairy development	305 (0.7)	288 (1.7)	593 (1.0)
8.	Storage/Market Yards	1,383 (3.3)	319 (1.9)	1,702 (2 9)
	Agricultural aviation	12 (0.1)	5 (0.1)	17 (0.1)
	Total:	42,307 (100.0)	17,115 (100.0)	59,420 (100.0)

*(Figures in parentheses are percentages of the total).

Source: Agricultural Refinance and Development Corporation, Twelfth Annual Report 1975-76

ANNEXURE TABLE V

CREDIT GUARANTEE CORPORATION OF INDIA (SMALL LOANS) GUARANTEE SCHEME, 1971.

Purposes for which credit facilities may be granted, ceiling limits for eligibility for the provision of the guarantee cover and ceiling limits for claims.

Category of borrowers	Constitution of borrower, nature of business	Eligible purposes	Ceiling limits for Credit facilities	Ceiling limits for Annual sales turnover	Ceiling limits for Original cost price of equipment	Corporation's liability in respect of claims
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Rs.	Rs	Rs.	
1. Transport Operators	Individual or association of not more than six individuals owning and operating by himself or themselves, a transport vehicle, including a rickshaw, cart, boat, barge, steamer or launch, for carrying any passengers or goods for hire.	For purchase of one vehicle. Credit facilities granted for repairs or renovation of vehicle (including body-building and replacement of parts) or for working capital requirements will also be eligible for guarantee under the Scheme.	1,50,000	—	—	75% of the amount in default.
2. Traders in goods other than fertilizers or mineral oils	Individual, firm or registered co-operative society trading in goods.	For purchasing the necessary equipment or for repairing or renovating the existing equipment, for acquiring or repairing business premises for or of the borrower; for purchasing	2,00,000 (raised to 4,00,000 with effect from 1-1-1977)	—	—	75% of the amount of the loss or Rs. 25,000 whichever is lower (raised to Rs. 50,000/- or 75% of the amount of defa-

(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Rs.	Rs.	Rs.	
		tools; for working capital requirements.				ult whichever is lower) (with effect from 1-1-1977).
3. Traders in fertilizers or mineral oils	Individual, firm or registered co-operative society trading in fertilizers or mineral oils and appointed as selling or distributing agent by a manufacturer or other trader.	For purchasing the necessary equipment or for repairing or renovating the existing equipment, for acquiring or repairing the business premises for, or of, the borrower, for purchasing tools, for working capital requirements.	—	10,00,000	—	75 % of the amount of the loss or Rs. 75,000 whichever is lower.
4. Professional and self-employed persons	Individual or firm of individual partners who, or every one of whom, is trained in any art or craft and holds either a degree or diploma or is considered to be technically qualified or skilled in his line and is rendering professional services.	Doctors owning and establishing a medical or nursing home or clinic and construction contractors.	1,00,000	—	—	75% of the amount of the loss.
		Engineering consultants or architects.	50,000	—	—	75% of the amount of the loss.
		Other professional or self-employed persons.	20,000	—	—	75% of the amount of the loss.
5. Business enterprises	Individual or firm providing any kind of services	Doctors owning and establishing a medical or nursing	—	—	1,50,000	75 % of the amount of the loss or Rs

	other than professional services.	home or clinic and construction contractors. Engineering consultants or architects. Other professional or self-employed persons.				50,000 whichever is lower.
6. Farmers and agriculturists	An individual or a Hindu undivided family or any group or association of persons not being a company or a co-operative society, being the owner, tenant or lessee (including oral lessee) of any land (not being land on which tea, coffee or rubber is normally grown) and engaged wholly or mainly in the cultivation of land or in sericulture, animal husbandry, poultry farming, dairy farming, fruit or vegetable or flower gardening or pisciculture, including the catching of fish in inland or marine waters.	** (i) Financing seasonal agricultural operations.	—	—	—	75% of the amount of the loss or Rs. 2,500 whichever is lower.
		** (ii) Financing the reclamation or improvement of land, the construction or deepening of irrigation wells, the installation of pump-sets for drawing water, the purchase of cattle, machinery or equipment or the acquisition of any other capital assets.	—	—	—	75% of the amount of the loss or Rs.10,000 whichever is lower.
		** (iii) Converting the outstanding amount of any credit facility granted for financing seasonal	—	—	—	75% of the amount of the loss or Rs. 5,000/- whichever is lower.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
		agricultural operations and not repaid within the prescribed period due to drought, flood or other natural calamities or due to the death or physical incapacity of the borrower or any other unusual circumstances beyond the borrower's control into a term or instalment credit, subject to such terms and conditions as may be specified by the Corporation.				
		**(iv) Acquiring premises, equipment, accessories, cattle or goods of any description and for meeting the working capital requirements in respect of any of the following activities:				

		*(a) Pisciculture	—	—	—	75% of the amount of the loss or Rs. 37,500 whichever is lower.
		*(b) Sericulture	—	—	—	75% of the amount of the loan or Rs. 18,750 whichever is lower.
		*(c) Animal husbandry	—	—	—	75% of the amount of the loss or Rs. 15,000 whichever is lower.
		*(d) Poultry farming	—	—	—	75% of the amount of the loss or Rs. 22,500 whichever is lower.
		*(e) Dairy farming	—	—	—	75% of the amount of the loss or Rs 15,000 whichever is lower.
7· Residual cetegory	Individual or association of persons.	Certain examples : (a) Indigent student	(a) Working capital purpose Rs. 1,500. Any other purpose Rs. 5,000.			75% of the amount in default.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
		(b) Institutions of physically handicapped persons. (c) Orphanages and women's home, etc.	(b) Rate of interest charged for the facility by the credit institution is not more than 4% p. a.	—		
8. Consumption Loans	Various categories of borrowers such as transport operators, retail traders, professionals and self-employed persons, business enterprises, farmers and agriculturists, including landless agricultural labourers and borrowers under the Differential Interest Rates Scheme.	(i) The period of repayment not to exceed 3 years. (ii) Credit facilities are to form an integral part of the credit extended to the borrowers for their main business or activities. (iii) Repayment to be linked with the income generated out of the borrower's main productive activity. (iv) Loan to be on clean basis.	(a) Medical expenses—Rs. 250. (b) Educational expenses–Rs. 100. (c) Expenses for marriage–Rs. 250 (d) Expenses for funerals & births Rs. 75. (e) Expenses for other religious ceremonies–Rs. 75.		—	75% of the amount in default. **Note :** This will be in addition to the maximum amount of the liability specified against items 1 to 7 above.

9. Loans for purchase/ construction of houses / tenements	Various categories of borrowers such as transport operators, retail traders, professionals and self-employed persons, business enterprises, farmers and agriculturists, including landless agricultural labourers and borrowers under the Differential Interest Rates Scheme.	(i) Repayment period not to exceed 10 years. (ii) Credit facilities are to form an integral part of the credit extended to the borrowers for their main business or activities. (iii) Repayment to be linked with the income generated out of the borrower's main productive activity. (iv) Loan to be on clean basis.	Rs. 5,000	—	—	75% of the amount in default.

Notes :

(1) The expression 'equipment' used in column (3) will include land, building, furniture and fixtures, decoration, air-conditioning equipment, vehicles etc.

(2) A claim under the category marked ** can be preferred along with a claim under one or more categories marked ** or along with a claim under one category marked *. If no claim is preferred in respect of category marked **, two separate claims can be preferred in respect of activities marked *. The Corporation's liability is, however, limited to a maximum of Rs. 37,500/- for all these categories.

(3) Subject to the above, only one claim can be preferred on account of a borrower under any of the items 1 to 7.

(4) The liability of the Corporation for purposes at Sl. Nos. 8 and 9 will be in addition to the maximum amount of liability as mentioned in the earlier paragraphs.

AN INTRODUCTION TO THE FIVE POINTS

Shortly after Prime Minister Indira Gandhi presented her package of economic reforms to the nation, the Youth Congress, under the dynamic leadership of Shri Sanjay Gandhi, came out with its own Five-Point Programme for the social regeneration of the nation. This programme, by reason of its wide-ranging socio-economic implications, was welcomed and accepted by the Indian National Congress as a necessary adjunct to the Twenty-Point Programme.

The attainment of economic objectives, important though this is, is not an end in itself; it is merely a means to an end, the end being the achievement of social objectives for the uplift of the masses. This is the reason why the topics referred to in the Five Points are of vital importance to the nation. India's population has been growing at an alarming rate and has already wiped out most of the economic gains of the past quarter of a century. If this growth rate is not swiftly and effectively checked, the very survival of the nation as a strong and stabilising force in the quicksands of world politics will be in jeopardy. Hence the challenge of family planning. Our forest resources are fast dwindling, thus hampering our efforts at flood control and at bringing about a marked and rapid improvement in the living conditions of the rural community. Hence the validity of afforestation programmes which, when fully implemented, will substantially enlarge off-season employment opportunities for agricultural labour and ensure that they do not slip back into bonded slavery. Education is a key factor in

economic development and social regeneration; this is why literacy has been linked with programmes for progress, particularly with those which relate to optimising industrial and agricultural production through improved techniques. One of the worst social evils which has blighted the lives of millions of our young women is the dowry system; and hence the necessity of countering the menace of dowry. Lastly, the rigidity of the caste system has given rise to serious social inequalities, which have destroyed the self-respect of millions of our people and condemned them to a life of social ostracism, hence the urgent need for demolishing caste barriers. All these points of the programme of the Youth Congress have been analytically and authoritatively dealt with by some of the top people in their respective fields of activity—and all in a style that is lucid and readable.

In addition to these five articles, there is one on national fitness, for the essentiality of a programme of physical fitness for the strength and well-being of the nation has now been accepted by the All-India Congress Committee. Together with the Twenty Points of the Economic Programme, the Five Points of the Youth Congress present a composite but integrated picture of economic and social development, which is likely to place India squarely in the front rank of the nations of the world.

5 1

THE CHALLENGE OF FAMILY PLANNING

D. N. PAI

Following the announcement and implementation of the Twenty-Point Programme, it has come to be increasingly realised that one of the most effective ways of eradicating poverty, bringing in distributive justice and improving levels of living is to ensure "Zero Population Growth" through co-ordinated efforts. A great deal of the economic growth achieved during the past twenty-five years has been negatived by a continuous rise in population and a continuous fall in death rate. That is why the national population policy relates family planning with education, economic development and eradication of poverty. There is an indubitable co-relation between illiteracy and fertility, particularly in the case of girls; wherever female literacy improves, fertility drops almost automatically. By 1964, therefore, when the situation had become somewhat desperate, Government decided to carry the programme to the widely-scattered villages all over the country. National and international resources were mobilised. More Central assistance was made available to the States with a view to persuading them to intensify the family planning programme, the success of which had by then become a matter of national survival. But the attainment of family planning targets continued to be as elusive as ever, while population continued to take the upward curve. In 1951, for example, the population was 361 million; in 1961, this figure touched 439

DR. D. N. PAI is Director, Family Planning and Maternal and Child Health; and Professor, Preventive and Social Medicine, G. S. Medical College, Bombay.

million, which jumped up to 500 million by 1966. A baby was born every one and a half seconds—57,000 every day, 21 million every year. As only 8 million people died every year during the same period, the population went up annually by 13 million. This rate has since been accelerated because the death rate has declined.

But even assuming that we continue to add 13 million to our population every year, this addition is almost as large as the entire population of Australia. Our food production during the same period of 15 years (1951-1966) went up by 17 million tonnes, though the food availability per person declined from 12.8 ounces to 12.4 ounces. In 1951, the unemployed numbered three million; in 1966, this figure rose to ten million despite the creation of 31 million additional jobs during the same period. If we continue to add 13 million to the population every year, we shall have to find, every year, an additional 12,545,300 quintals of food; 188,774,000 additional metres of cloth; 126,500 additional schools; 372,500 additional teachers; 2,509,000 additional houses; and 4,000,000 new jobs—a prospect which would daunt even the most affluent country in the world.

In 1921, our birth rate was 49 per thousand and death rate 48. In other words, the population went up by 1 per one thousand. In 1966, the birth rate was 41 and deaths were around sixteen per thousand; as a result, the population went up by 25 per thousand, or by 2.5 per cent. As our health programmes reach out to a vaster number of people scattered in villages all over the country, the gap between the birth rate and the death rate—the demographic gap—would widen further, and our population is expected to shoot up to one billion by 1994. If effective steps are not taken to control the situation, the present chronic want of vast masses of the people will explode into a national nightmare and a national disaster.

Not that efforts have not been made in the past to implement a vigorous programme of family planning. In the early fifties, Dr Abraham Stone had been invited to teach the people of India how to practise the Rhythm

method. This was safe enough, provided we could identify a safe period of coitus in the menstrual cycle of a woman. If this cycle is regular—*i.e.*, if it occurs regularly every twenty-eight days—it is comparatively easy to determine the safe period, which is the first nine days from the beginning of menstruation and the last nine days preceding the next period. This period is comparatively safe because no ovum (female seed) is available for fertilization by the male seed.

The Problem

This method, however, was not successful for a variety of reasons. In the first place, the menstrual cycle in women is not regular. Secondly, 80 per cent of rural couples are illiterate; so much so that it is doubtful whether these illiterate women can keep track of their menstrual cycle. Moreover, roughly about 80 per cent of India's population lives in 5,75,721 villages scattered all over the country, and cannot be easily reached because of the major difficulties of transport and communication. How on earth was the message of the Rhythm period to be communicated to the masses? Dr Stone decided to have beaded necklaces distributed—green and red beads to signify safety and danger. Women were instructed to move a bead a day to keep conception danger away. This method, however, was effective among about 50 per cent of the women.

Some couples continued to use other conventional methods. They practised coitus interruptus, which was somewhat more effective than the Rhythm method in that only 15 per cent of the women conceived. However, this method was discouraged because it often led to psychological tension and trauma. Jellies and foam tablets, which were supposed to build a kind of chemical barrier against the sperms, were used extensively. So also were condoms and diaphragms—the former as a sheath for the male organ, while the latter was fitted to the cervix (mouth of uterus) in an effort to intercept the coming together of the ovum and the sperm. At the same time, a number of couples were persuaded to use jellies or foam tablets to destroy such

wily sperms as managed to escape the rubber barrier. Despite, however, a fairly large-scale use of these conventional methods, population continued to grow at an alarming rate.

Clinics

Family planning clinics were then set up all over India at primary health centres, hospitals, maternity homes and dispensaries, where a very large number of couples were motivated to select any of the conventional methods they found suitable. Improvident parents, however, preferred to undergo sterilisation, specially when they already had five or more children. Many women opted for tubectomy (a simple operation by which the two Fallopian tubes, through which the ova are ejected into the uterus, are cut and tied to prevent exit of ova). Men, on the other hand, favoured vasectomy (a simple operation by which the tubes known as *vas* are cut and tied to prevent the exit of the sperm). Unfortunately, this progamme was almost wholly restricted to the middle classes; and unwanted children continued to cry their way into unhappy homes. Hardly 50 per cent of the money sanctioned (Rs. 65 lakhs during the First Plan and Rs. 5 crores during the Second) could be utilised to further the progress of family planning. At the same time, health and welfare programmes picked up speed, and brought about a decline in the death rate.

A New Hope

It was at this time that the idea of a perfected intrauterine contraceptive device (IUCD), widely known as the loop, began to catch on. Used for more than a century, its shape had changed from that of a solid pebble to a steel ring, a plastic bow, to a large and then a small loop of inexpensive plastic. Interest in this device was first shown in May 1962, when some experts from India participated in a conference on IUCD sponsored by the Population Council in New York. After three years of research in 50-odd clinics, the Advisory Committee on the Scientific Aspect of Family Planning declared that IUCD was safe, effective

and acceptable, and recommended that it should be made available through all health and medical-care centres. Government accepted this recommendation and moved swiftly to organise the programme. The loop was introduced in August 1965 as a simple single measure aiming at solving the problem of the rapidly increasing population, and even came to be looked upon as a panacea for poor India. All that needed to be done was to convince women that loop insertion was a simple enough procedure and would stay inside the uterus to do its job satisfactorily. Conventional contraceptives were considered to be somewhat cumbersome and messy—kill-joy methods ruined by the routine of repetition. The loop, however, was a one-time method. Once inserted, 97 per cent of the women would be protected against the hazards of pregnancy.

As far back as 1963, the Director of Family Planning, Col. Raina, had outlined the national goal in family planning—to reduce the birth rate from 40 to 25 per thousand by 1973. The advent of the loop added a new dimension of hope and promise to this goal. States were given targets for sterilisations and loop insertions, the latter of which was, obviously, a simple job, which almost any doctor with a little training could perform satisfactorily. States, in their turn, assigned targets to districts, and the districts to cities, towns and villages.

Religious Taboos

But how was the rural population to be approached when it continued to live in the twilight of superstition—when it seems to be convinced that the birth of a child in the family is an act of grace on the part of the gods for that family, that the bigger the family, the greater the protection of the gods? Priests, *pundits* and *moulvis* have somehow managed to acquire dominion over the minds and hearts of these ignorant, gullible and helpless children of the soil and convinced them that control of population is contrary to the will of the gods, that the gods themselves will be pleased only if they live in accordance with the adage: "Increase and multiply." In point of fact, there is

no sanction against population control in any religious scripture in the world.

Nowhere, for example, does the Quran put its seal of approval on unbridled population growth. The Bible, too, does not mention anywhere that it is contrary to the will of God to plan a family or to practise birth control. The *Gita*, which glorifies the doctrine of *karma*, makes it very clear that we are responsible for our actions; that we *have* to do that which *needs* to be done, irrespective of the consequences that may flow from that action. In other words, it emphasises the supremacy of reason as the mainspring of human action. God has given each one of us the intelligence to think, to plan, to act. God has thus laid upon us the responsibility to ensure that we do not bring a child into the world if we are unable to feed him. In point of fact, it is criminal to do so.

This is the necessity, the *raison d'etre*, of family planning—that we should bring into the world only those children to whom we can give the care, the affection, the necessities of life to which they are entitled by reason of their birth. Not to do so is to condemn them to a life of squalor and bondage—the bondage of hunger, of sickness, of disease, of incalculable suffering. It is, therefore, in our own interest, and in the interest of the community of which we form a part, that we do not condemn any child of our own to this kind of bondage. To ensure this is to achieve a communal and social good. Surely, there is no religion in the world that has ever maintained that to encompass social and communal good is to go contrary to the will of God. There is, therefore, no reason why anyone should object to family planning on religious grounds; nor is there any reason why such objection, even if it is raised on religious considerations, should be allowed to make nonsense of the nation's policy to plan the growth of its population in such a way as to make available to each one of them health, economic security and the dignity of a human being.

Rural Resentment

There was another difficulty as well. How was the rural population to be approached for the family planning programme when there were no more than 6,774 rural family planning centres to serve them? Besides, rural women resented the very idea of male doctors looking at or touching their genitals. Their husbands, too, raised vehement objections. In view of the fact that there were very few lady doctors, how was the challenge of the loop to be met in rural areas? For the first time, it was found necessary to emancipate the programme from the clinics and extend it into the field. Slowly, higher officials came to rely on field staff, and field workers sought the co-operation of the rural community; for it was obvious that loop targets could be fulfilled only through a meaningful co-operation between the policy-makers on the one hand and the people and programme-operators on the other.

Sterilisations and loop insertions were methods which produced demonstrable results soon enough. Sterilisation was irreversible and was naturally accepted only by those who did not want to have more children than they already had. The loop was reversible, easily inserted and easily removed, an ideal method of spacing out two pregnancies at will, for fertility was completely restored immediately after its removal. The loop, therefore, began to catch on. Loop camps were organised. Incentives were provided. Ingenuity was invoked. For the first time, a population control method caught on in rural India. Within eight months of its inception, 812,713 loops were inserted against 670,823 sterilisations in 15 months. The year 1965 was, without doubt, a memorable year in family planning. It proved that one-time methods would be more acceptable than repetitive methods; that limitations of staff and facilities could be overcome by introducing mobility; that delegation of authority and decentralisation of the programmes were essential elements in their success; that methods and means would have to be found to involve volunteers by providing worthwhile incentives.

Table 1

Name of State/Union Territory	*Performance during April '76-Sept '76 (1976-77)* Sterilisations	No of I.U.C D Insertions	No. of Eq C. C. users
Andhra Pradesh	154,490	6,643	29,959
Assam	119,330	5,418	14,362
Bihar	144,461	8,114	18,392
Gujarat	158,649	11,721	156,051
Haryana	54,045	23,257	192,855
Himachal Pradesh	45,748	957	7,056
Jammu & Kashmir	3,649	2,376	3,466
Karnataka	203,989	15,802	46,984
Kerala	112,029	9,116	26,953
Madhya Pradesh	661,227	11,905	57,792
Maharashtra	296,791	7,709	144,626
Manipur	2,963	759	2,671
Meghalaya	5,338	291*	1,734
Nagaland	—	—	—
Orissa	153,769	9,542	14,420
Punjab	49,126	16,566	132,777
Rajasthan	178,277	7,207	6,203
Tamil Nadu	228,555	19,808	103,990
Tripura	7,524	202	4,021
Uttar Pradesh	424,359	67,281	176,598
West Bengal	675,055	19,240	279,862
Andaman & Nicobar	303	180	540
Arunachal Pradesh	19*	7*	57
Chandigarh	1,077	1,325	13,167
D & N Haveli	360	15	188
Delhi	87,787	5,662	157,124
Goa, Daman & Diu	1,827	473	2,212
Lakshadweep	70	--	149
Mizoram	248	94	624
Pondicherry	6,126	619	461
M/o Defence	12,532	2,211	59,406
M/o Railways	48,560	2,080	203,269
Commercial Distribution			971,945
All India	3,838,283	256,580	2,829,878

Total I.U.C.D. insertions since July 1965	6,309,583
Total Sterilisations since 1965	22,768,872

*Upto August, '76.

In this connection, it would be worthwhile to mention the achievements so far made in the family planning programme. There are 1,975 family planning centres in urban areas. In rural areas, there are 5,132 main centres and 33,370 sub-centres. Other institutions engaged in family planning number 5,780. The intensity of the family planning programme may be judged from the fact that between April 1976 and September 1976, there were slightly less than 4 million sterilisations. (See Table 1.)

Meteoric Rise

This rise in sterilisations and loop insertions was followed by a precipitous fall in the birth rate, leading to fresh thinking. Health-care organisations in the country were now geared up to careful and continuing follow-up programmes. As a result, another one-time method began to be popular—male sterilisation, for both initial and follow-up facilities required for a vasectomy were minimal. Expertise could be acquired very easily. An operation theatre could be improvised almost anywhere. All that was required was a clean room, clean instruments, clean linen, clean preparation of the skin, and a clean technique which caused the least tissue damage. Bombay's bold bid to perform a safe vasectomy even on a railway platform provided the necessary psychological impetus to the popularity of this method of sterilisation as a measure for the masses.

Continuing Increase

For sterilisations, 1967 was a memorable year. Motivation was sharpened by incentives in States like Maharashtra and Tamil Nadu, which were later adopted as a national policy to promote one-time methods like vasectomy and loop insertions. For the first time, a dent was made; a breach was effected; and population control appeared to be a programme whose implementation now seemed to be a definitely realisable objective. Post-partum programmes were instituted at all teaching hospitals and maternity institutions which recorded more than 3,000 deliveries to promote female sterilisations and instil among

medical and para-medical personnel the philosophy and practice of family planning. Sterilisation beds were sanctioned in public and private institutions to interest and involve the medical profession in this urgent national effort.

Despite all these measures, however, population growth rate has not shown any decline, mainly because of the progress achieved in controlling the death rate, as a result of which it has actually increased over the years. Census figures show that the growth rate, which was 1.33 per cent in 1951, went up to 2.16 per cent in 1961 and 2.48 per cent in 1971. No doubt, 19 million sterilisations have been performed, following which, and as a result of other family planning measures upto March 1975, 47.6 million births will have been averted by 1996-1997. These gains, however, recede in the background when we consider that, for every 2.5 million couples who become infertile, 5.1 million marriages are solemnised every year to swell the number of fertile couples, which increased from 100 million in 1965 to 114 million in 1975.

Rationale

What is the rationale behind the family planning programme? What are the consequences of having a large family, and having a continuingly growing population?

A variety of reasons may be advanced for this purpose. In the first place, a large number of children place an economic burden, quite often unbearable, on the parents, particularly on those parents whose income is limited, or who are very badly off. Imagine, for example, what would have happened in this country if population growth had been limited to what it was in 1921—one per thousand. India would be in a much stronger position than she is today; and her people would have been happier than they are now. The economic growth that has been achieved during the past quarter of a century would have substantially raised the living standards of our people, and there would be fewer today living below the poverty line; fewer houseless families, fewer landless labourers. The national

cake would have been much larger and would have been distributed among fewer persons.

There are other factors associated with large families. There would be more mouths to feed; therefore, more food will have to be produced. There would be more children to educate; therefore, we would have to provide for more schools and more teachers. Larger numbers of persons would fall sick; therefore, we would require more hospitals, more drugs, more nurses and more doctors than we have or are capable of having quickly enough. And none of these would be possible, for, as the population goes up, the facilities for the people as a whole decline, unless economic growth keeps pace with population growth. Even when this happens, it means that we shall continue to be as badly off as we were in the past.

Terrifying Consequences

As it is, we have to find an additional 12.5 million quintals of food every year for the new mouths that have to be fed. In other words, unless our food production goes up by at least 12.5 million quintals every year, there would be widespread distress, even starvation, in the country. Thousands would die and the health of tens of thousands may be permanently impaired. Do we have the resources to achieve this kind of production target year after year? And what would happen if the monsoon fails, or if any other natural calamity brings about a fall in production? How many millions will then die a slow and terrifying death? How many more will suffer from eradicable diseases, because of widespread malnutrition?

Despite the millions of jobs that have been created by the various Five-Year Plans, unemployment continues to be on the increase. For the 13 million persons we are annually adding to the population, we have to find four million new jobs every year. If we fail to do so, these will be turned on the streets to starve, or become beggars or criminals, and find ways and means of sustaining themselves through criminal and anti-social activities. Don't we have

enough criminals that we should want to add to their number? And if there is an enormous increase in criminal activity, we shall have to expand our police force, for which we don't have enough money and enough houses; and if we don't employ additional police, we shall progressively create conditions in which criminals would get away with their nefarious activities. Organised society would then cease to function. Anarchy may well become the order of the day. Is this the future we want to build, or look forward to, or bring about?

Semi-nakedness is a condition of life with which vast masses of our people have made a first-hand acquaintance. For the 13 million additional human beings we annually bring into the world, we shall have to provide an additional 19 million metres of cloth. Do we have enough textile mills to manufacture this additional quantity of cloth? And assuming that we have, will these textile mills be able to sell their production to a people who cannot have even a single square meal a day? What, then, would happen? Would textile production have to be frozen at its present figure?

Life-in-Death

For the 13 million additional human beings that are annually born in this country, we shall have to provide for a little more than 2.5 million houses every year. Already, there is an enormous backlog to be made up. How are we to provide for this additional population? As it is, we have a very large floating population in metropolitan and urban areas—pavement dwellers, who have to brave the rigours of a harsh winter, who, very often, die when a cold spell sweeps across parts of this country, who cannot find a roof over their heads when rain comes pelting down from a pitiless sky. Do we want to produce human beings only to condemn them to a life-time of misery—to a life that is worse than death? For death at any rate brings an end to misery, brings peace from pain: when you die, you do not feel the pangs of hunger; you do not emotionally tear

yourself apart, watching a child clamouring for a drop or two of milk, a child that seems to be disintegrating, dissolving, before your very eyes. Death for such people is a consummation devoutly to be wished. Is this what we want to condemn them to—condemn these thirteen million every year to a slow, terrifying death, to a life-time of life-in-death?

For the 13 million additional mouths we have to feed annually, we have also to provide a little over 3.72 lakh additional teachers, who cannot function unless, at the same time, we construct 1.26 lakh new schools every year. A teacher cannot be made overnight. He has to be educated. He has to be trained. Nor can a school be constructed overnight. It takes time to plan and to build. And you cannot build new schools and new houses unless you first expand the production of building materials which, too, cannot be achieved overnight. The net result is economic chaos and widespread social misery.

This is what we must prepare for if we cannot control population growth. As it is, the fruits of development during the past twenty-five years have been largely, if not entirely, wiped out by the continuing rise in population. We have now come to a stage where we have to control it, or perish—economically, socially, even nationally.

This is the rationale of population control.

And it is this rationale which impelled the Prime Minister to sound a clarion call at Chandigarh; which motivated youth leader Sanjay Gandhi to urge the youth of the country to take up the challenge of family planning; which roused the Chief Minister of Maharashtra, Shri Shankarrao Chavan, to emphasise the need for "coercive persuasion" and get through a "Bill for Family Limitation," indicating popular determination for population control.

Remedial Measures

A sense of urgency now pervades the country, and "public opinion is now ready to accept much more stringent measures for family planning than before," according to

Dr. Karan Singh, who announced the National Population Policy in April 1976, and outlined the following measures to make family planning a success:

(1) A law will be enacted to raise the minimum age of marriage to 18 for women and 21 for men.

(2) Upto the year 2001, representation in the lower House of Parliament and in State Legislatures will remain frozen as determined on the basis of the 1971 census.

(3) Upto the year 2001, wherever population is a factor in determining the share of the States in Central resources (for example, in the allocation of assistance for State Plans, devolution of taxes, and grants-in-aid), the 1971 population size will be used as the basis.

(4) Eight per cent of the Central Government's assistance to State Plans will be allocated on the basis of performance in the area of family planning.

(5) Special measures will be undertaken to raise the level of education among females and to improve the nutritional status of children.

(6) The Union Cabinet will review in depth the performance of States in the area of family planning at least once a year.

(7) Monetary compensation by the Centre to the States for sterilisation procedures (both vasectomy and tubectomy) will be raised to Rs. 150 for procedures on persons with two or fewer living children, Rs. 100 for persons with three living children, and Rs. 70 for persons with four or more living children. These amounts are intended to cover the cost of drugs, dressings, and other related expenses. The net amount received by individual acceptors of the programme will be somewhat smaller.

(8) Group incentives will be introduced for the medical profession, teachers, co-operative societies, labour in the organised sector and panchayats at the district and lower levels.

(9) Individual States are free to introduce special measures designed to encourage the adoption of family

limitation by State Government employees and others (for example, preference to acceptors in the allotment of houses and loans). Employees of the Central Government will be expected "to adopt the small family norm" and their service and conduct rules will be changed "to ensure this."

In this connection, it may be mentioned that the Finance Act of 1976 has already provided that donations for family planning to Government, local bodies, institutions and associations shall be entitled for 100 per cent rebate while computing the income of the donor for the purposes of income-tax. This has been done with a view to generating enough funds to finance family planning programmes, the success of which has now become essential for national survival.

A Challenge

An awareness has been created, but the disparity between desire and practice continues. Three bridges can lead to success: CONVICTION, COMMUNICATION and CARE. Conviction at the individual, family and community level has to be reinforced by conviction at the professional and political level. Through communication, an effort has to be made to reach the minds of the people, for it is not easy to identify and overcome the fears, anxieties, apprehensions and suspicions built into the very fabric of the rural and/or ignorant mind. Fear of insecurity, fear of physical injury, fear of sex injury, fear of family injury, and fear of moral injury have hampered the programme in the past. Resistance to the idea of sterilisation is a challenge to communication, motivation and education.

While announcing the National Population Policy in April 1976, Dr Karan Singh, Union Minister for Health and Family Planning, referred to certain inescapable facts, and underlined the absolute necessity of containing population growth, which is our real enemy and which has made nonsense of almost all programmes aiming at rapid economic development. With 2.4 per cent of the world's land area, Dr. Karan Singh points out, India has about 15 per cent of the world's people. "Our population as on 1st

January 1976," he stated, "has crossed the 600 million mark, and is now rising at the rate of more than 1 million per month. Since independence, 250 million have been added, equivalent to the entire population of the Soviet Union, with 6 times the land area of India. The increase every year is now equal to the entire population of Australia, which is $2\frac{1}{2}$ times the size of our country. If the present rate of increase continues unchecked, our population at the turn of the century may well reach the staggering figure of one billion. Indisputably, we are facing a population explosion of crisis dimensions which has largely diluted the fruits of the remarkable economic progress that we have made over the last two decades. If the future of the nation is to be secured, and the goal of removing poverty to be attained, the population problem will have to be treated as a top national priority and commitment."

Because of the seriousness and magnitude of the problem, special efforts have been made to intensify research in reproductive biology with a view to discovering safer and more effective contraceptives and/or methods of controlling the runaway birth rate. Already, Indian scientists have developed an anti-pregnancy vaccine which, though still in a somewhat experimental stage, is likely to be the precursor of a major breakthrough in the foreseeable future. That we cannot register any worthwhile economic gains without containing and reducing population growth has been made abundantly clear by the Prime Minister herself. "We must now act decisively and swiftly," she says. "We should not hesitate to take steps which may be described as drastic. Some personal rights have to be kept in abeyance for the human rights of the nation; the right to live, the right to progress. . . .

"The tremendous task of changing a whole people's attitude and of explaining the objectives and benefits of the family planning movement can be accomplished only when all medical people, indeed all leaders of public opinion . . . pool their capacities of persuasion. National aggregate

figures and percentages may be beyond the grasp of the illiterate . . . . But the unlettered village mother does understand that, by limiting her family, she is able to give better care to her children and secure a more anxiety-free life for her family."

THE PLAN

The plan of action will try to cover gradually the total population (*with minimum loss of time*) with family planning services as a part of an integrated package of health, family planning, nutrition and maternal and child health services at all levels.

The Sub-centre

The basic unit of family planning action is the sub-centre with an approximate population of five thousand entrusted to a Multi-purpose (Family Planning) Worker (MFW), who should be responsible for the ORGANISATION OF FAMILY PLANNING, consisting of:

Survey: This relates to identification of couples and needs. The demographic situation in developing countries can be approximated for general consideration. The unit will consist of a population of 5,000; and assuming the average family size of five, it will have 1,000 couples. One hundred couples (10 per cent) are subfertile; 450 couples (45 per cent) have 3 or less living children; 450 *couples* (45 *per cent*) *have* 4 *or more living children and are therefore definitely eligible* ONLY *for sterilisation*, along with a few couples with 2 or 3 living children from the earlier group, who also have to be encouraged to accept sterilisatioin. A family planning worker must cover 20 couples per day and will therefore complete her ward round every 2 months—not more than 3 months under any circumstances. She must prepare an eligible couple register consisting of: identification number; name of husband with age; name of wife with age; number of living boys; number of living girls; method currently using; advice given; any other [information concerning health, maternal and child health (MCH) and nutrition may

be entered here]. Other details may not be recorded unless useful.

Motivation: This means reaching the minds of the people to bring about the desired attitude change—to give simple and meaningful information about the WHY and HOW of family planning; to identify and overcome anxieties, apprehensions, suspicions and fears— like fear of insecurity, fear of body injury, fear of sex injury, fear of family injury, fear of moral injury and fear of group injury; to increase awareness, knowledge and conviction; and, finally, to precipitate action. Motivation is as important as medical expertise in the implementation of family planning programmes. Hence, some of the routine measures that must be practised at unit and taluka level are outlined below:

Individual/Family approach to eligible couples: This is an important educational approach commonly practised by all workers. This method has the advantage of reaching deep into the attitudinal and motivational core of the individual. Barriers that an individual may perceive in the way of adopting a new practice can be removed, misinformation can be corrected, negative attitudes can be reversed, etc., through this approach. To be effective, it should be well planned, and sufficient time should be devoted to individuals. It is also preferable to talk with both husband and wife together.

Organising small group meetings: The individual contact must be supplemented by small group meetings in the village, which have an additional advantage in that they provide for interaction among more people; an interchange of the variety of experience provides the much-needed social support. Both formal and informal meetings have to be arranged for this purpose. It will be useful to ensure that one or two satisfied adopters are made to participate in such meetings.

Training and utilisation of village leaders: Village leaders have a crucial role to play in the promotion of family planning programmes; and it will be useful to identify them, train them and utilise them for this purpose. In addition

to formal leaders in the community, the informal ones should also be identified and used. After these leaders are trained, their help may be sought in organising small group meetings. The leader may talk to others individually. He should also be made to accept family planning and become an eloquent example to others.

Planned use of satisfied adopters: It has been usually observed that satisfied adopters remain passive while those that experience any complication broadcast their negative experiences. The multi-purpose family planning worker (MFW) should develop a plan to identify satisfied adopters and encourage them to communicate their satisfaction to potential users in their own "peer" groups. In rural areas, a potential user may be influenced to a greater extent by a "peer" group member who is a satisfied adopter than any other communicator.

Utilisation of village dais and indigenous medical practitioners: They can be useful allies when they talk about family planning to their clients. Before they are requested to do so, information sessions should be arranged for them, so that their doubts about the advantages of the various methods may be removed.

The minimum motivation targets for all family planning workers shall be 8 group meetings and 7 successful Equivalent Sterilisations (ES) every month* This means that every sub-centre will achieve nearly 100 ES per year or 20 ES per 1,000 population per year in keeping with short-term goals. *Fifty sterilisations (i.e., 50 per cent), either male or female, must be achieved every year by every MFW.*

Service: Service in conventional contraceptives and oral pills shall be rendered by an MFW during her sub-centre rounds. Supply for three months should be routinely issued. Clients requiring medical expertise should be referred to a taluka and a district on a fixed schedule. However, *as and when facilities become available, a* MINI CAMP *should be*

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* ES = Equivalent Sterilisation is two abortions, two oral pill users, three loops, or ten conventional contraceptive users.

held once every year in the sub-centre for operative procedures for IUCD, vasectomy and menstrual regulation (MR) to forge communication in the community. The day for the mini camp should be decided upon early in the year so that a ward may undertake a family planning campaign which will culminate in the annual mini camp. At all times, an MFW must have an *updated list* of couples with identification numbers, classified as sterilised, willing for sterilisation later, willing for sterilisation immediately (male or female), and unwilling.

Follow-up: This is the weakest link in the chain of family planning—follow-up action. To give adequate emotional and therapeutic support to the client, the MFW must arrange *follow-up visits before the end of the week, before the end of the month, once every three months, and thereafter* to ensure total satisfaction of the client and treat complications, if any, very speedily.

Involvement: This holds the key to the future. A Sub-centre Family Planning Programme Implementation Committee should be convened by an MFW as early as possible which may consist of a resident member of the union; one member from any of the developmental agencies; any other important individual; a medical practitioner; a representative of an agricultural organisation; and a representative each of an educational institution and an industrial organisation; and any other person who may be useful.

The committee should meet every month to review the past and plan ahead. This approach will engender the necessary CONVICTION and INVOLVEMENT in the community to transform the programme into a mass movement. It will also help to restrict fraud and negligence to the minimum and dispel the most usual misconception that family planning or population control is a Government programme. This committee should be given a list of persons eligible for sterilisation; it will then contact them individually or in small groups. The village committee will plan and conduct such educational sessions as may be deemed appropriate. Wherever there is any representative committee in the village, it

should be utilised for promotional work and for sending people for sterilisation and other family planning services. In short, the committee will make individual contacts, conduct group meetings and publicise the mini camps in the Sub-Centre and Primary Health Centre (PHC), if organised, and the MAIN CAMP at the district level. There will, moreover, be a Family Planning Extension Educator (FPEE), who will be responsible for the *organisation, supervision, and co-ordination* of the programme.

Organisation

The FPEE will assist the sub-centre workers (MFW) in survey, motivation, service, follow-up and involvement as described earlier. On an average, he will set apart one day in a month for each sub-centre worker. He will build family planning in the PHC dispensary service. The *famil-logram* approach may be used, *i.e.*, every patient should be asked about the age of the spouse, number of living children, and family planning advice given and accepted; the case paper may then be stamped and information entered. He is in charge of the communication campaign in his PHC territory. The FPEE will also try to organise FOUR camps every year to offer IUCD, vasectomy, MR, tubal ligation and other minor operations, in that order, to precipitate family planning action in the community.

Supervision: This will be the most crucial activity of the Extension Educator. He will be held personally responsible for the efficient functioning of the MFW. He will also be responsible for the total verification of sterilisation acceptors and payments made, if any. Considering that the total load of sterilizees will not exceed 1,000 per PHC per annum even under optimal conditions, he should, in any circumstances, be expected to submit verification reports within three months.

Co-ordination: The PHC, however, forms the most important link between the sub-centres on the one hand and the taluka and district on the other. The EE's singular responsibility is therefore to co-ordinate successfully the neces-

sary effort for the Main Camp at the PHC and Mini Camps at the sub-centre and village levels, if and when they are organised in the near future. He will also co-ordinate the treatment of complications and vigilance against fraud and negligence. To bring about a greater acceptance of sterilisation as the most important component of population control and family planning programmes, he should identify and mobilise all the organised groups in his area. These might be mothers' clubs, co-operative societies, gram panchayats, teachers' groups, labour groups, farmers' groups, etc. It will be highly valuable to organise information sessions for these groups in a phased manner so as to educate them in FP with special reference to sterilisation. Finally, he should organise a PHC Family Planning Programme Implementation Committee to co-ordinate community effort and make sterilisation and FP services acceptable to the masses.

Taluka & District: The district will be the stronghold for operative procedures. At other levels, the objective is to begin with a CAMP and nurture it into a clinic for sterilisation and other operative procedures, including abortion and recanalisation. A camp permits the extension of specialised services to remote areas by a gainful deployment of minimally available personnel and facilities. However, occasional adverse experiences in IUCD and sterilisation elsewhere in the past highlight the need for evolving Zero Defect (Z.D.) Camps, if the camp approach has to play an effective role in the near future. As a matter of fact, the "Zero Defect" objective in the implementation of the sterilisation programme, both in the camp and the clinic, will determine the acceptance and effectiveness of this single measure by millions of potential clients who have and will be completing their families. The determinants of the success of the camp-to-clinic sterilisation programme at district and talka levels are MOTIVATION, MANAGEMENT and MEDICAL EXPERTISE.

A number of routine opportunities exist and should be utilised: doctor-patient communication in the out-patient, nurse-patient communication in the in-patient, discussion

during ante-natal, post-natal and well-baby clinics, special instructions to those suffering from diseases like TB and in post-partum programmes; and other varied clinic situations. As a matter of fact, through the *famillogram* approach, every patient should be meaningfully informed about sterilisation in particular and other family planning methods in general.

Educational activities in a camp situation: A district level family planning programme implementation committee — comprising of members from health, family planning and other developmental agencies and other important individuals and institutional representatives—must be formed to plan and implement the educational campaign.

Mass media—such as television, radio, films, newspaper advertisements, hoardings, banners, posters, leaflets and the most acceptable medium of song and drama—should be maximally used. Social support should be mobilised through organised groups like Government offices, voluntary organisations, community service organisations like Rotary and Lion, women's organisations, commercial undertakings, newspaper undertakings, labour unions, co-operative societies, etc. Individuals such as artists, poets, trade union leaders, union council presidents, etc., may exert their charisma to carry the camp to success.

The fundamental basis of the mathematics of motivation is the family planning worker at all levels, who can and must motivate a minimum of four sterilisations every month out of more than 450 potential acceptors on a 5,000 population base. This means that, at every PHC with a 100,000 population base, there is a potential for 100 sterilisations every month and 100 equivalent sterilisations by promoting IUCD, pills, MR and condoms every month. If the camp is held every three months at each PHC, there is a potential for 300 sterilisations and 300 ES in terms of other methods every three months. If this arithmetic is enforced and management is streamlined so that the staff may be brought into position and camps and clinics may be created to meet the demand at all 5,000 Primary Health Centres, India can

achieve a minimum of 5 million sterilisations and 5 million equivalent sterilisations in terms of other methods every year, provided, of course, that management and medical expertise can match the motivational inputs. The most important figures in the implementation of the family planning programme are the Extension Educator at the PHC level and the multi-purpose family planning worker (MFW) at the sub-centre and village level, provided that they are not permitted to degenerate into ineffectiveness. Hence the detailed job description, given above, should be enforced, for it is difficult to salvage workers once they are demoralised.

Incentives: There are four ways of moulding human behaviour: motivation (*sam*), incentives (*dam*), disincentives (*dand*), and compulsion (*bhed*). Through motivation, willing couples have been family-planned; but the resistants continue to elude the programme operators. Disincentives will not make any dent in the problem, for sixty per cent of our population lives below the poverty line and therefore has no stake, has nothing to lose. Compulsion is being considered in some areas, but the idea is still somewhat controversial. If a significant reduction in the fertility rate is to be achieved in a short period, the motivational effort will have to be supplemented by a decisive programme of worthwhile incentives. *That the payment incentive to eligible couples has increased the rate of adoption has been proved by the experience of such countries as India, Taiwan, Korea, Malaysia and Pakistan.* It is also significant that the adoption in such cases came largely from those of a lower socio-economic status with large families. It is also likely that with increasing emphasis on incentives, people may be motivated more out of the desire to receive the incentive than out of the desire of avoiding pregnancy. The poor and the illiterate who, lured by incentives, accept contraception, are likely to connect everyone of their subsequent symptoms of ill-health or disability after operation with family planning practice. It is therefore necessary to use incentives as a supplement to a well-designed contraceptive education and service programme, so that those who are motivated by incentives are also well aware of the individual benefits arising out of

contraception and the advantages and disadvantages of the particular method adopted. Furthermore, it is recognised that the incentive programme, if not carefully managed and supervised, may lead to abuses and corruption. Taking into account the accumulated experience concerning incentives and transferring this to the socio-cultural situation in India, *it is strongly recommended that incentives for sterilisation must be provided* and are more than justified by the fall in birth rate, which leads to a nett national gain. The problems of fraud that may still occur in spite of the built-in checks from the periphery to the centre may be reduced to the minimum by exercising vigilance. Frauds do not occur if they are not permitted. If the doctors who perform sterilisations are categorically informed that their registration will be in jeopardy if intention is proved, the chances for fraud would be practically nil.

Cash incentives are most important in triggering off immediate results. In most programmes, the cash incentive for a tubal ligation has been greater than for a vasectomy, for female sterilisation requires greater expertise, more drugs and institutionalisation as well. However, the results achieved in terms of fertility limitation are the same, whether sterilisation is performed on a male or a female. It is therefore recommended that Government sanction Rs. 120/- per sterilisation to cover the various items of expenditure indicated below:

Item	*Vasectomy*	*Tubal Ligation*
Acceptor	Rs. 60	Rs 30
Doctor	Rs. 10	Rs. 20
Promoter	Rs. 10	Rs. 5
Drugs	Rs. 15	Rs. 30
Food	Rs. —	Rs. 10
Transport & Contingencies	Rs. 10	Rs. 10
Community incentive	Rs. 5	Rs. 5
Compensation & awards, bonus, etc.	Rs. 10	Rs. 10
Total	Rs. 120	Rs. 120

Those who have two children and accept sterilisation should, in addition, be given a National Service Bond of Rs. 3,000/-, while those with three children should receive a National Service Bond of Rs. 2,000/-. Those with four or more children should get nothing more than Rs. 120/.

Both the acceptor and the promoter of male sterilisation should receive higher incentives, for the wage loss and the effort required for motivation, etc., are higher than in the case of tubal ligation. It should also be remembered that the patient undergoing tubal ligation receives more in kind—drugs, food and institutionalisation. Moreover, the additional cash incentive to the acceptor and promoter of a vasectomy will automatically tilt the programme towards vasectomy, for which medical expertise and institutional facilities can be created comparatively more easily. The sum of Rs. 10 is reserved for transport and other contingencies, for transport and communication are a major problem at PHC-sub-centre-village level; Rs. 5 per sterilisation is earmarked as a community incentive for the sub-centre and can be used by it for any development scheme—for sinking a tube-well or for electrification. This will help in mobilising the sub-centre for better performance. The balance—Rs. 10/- per sterilisation for compensation and awards—should be kept by Government in a suspense account. For every 100,000 sterilisations, there is a chance of one death and ten serious complications. In such unpredictable instances, compensation must be paid quickly and liberally to the unfortunate families and individuals. This will not only help people in distress, but effectively combat the negative image that may be projected in the community. Scales of compensation may also be worked out in advance to facilitate quick disbursement. This pool of a million rupees for every 100,000 sterilisations may also be utilised for the provision of recanalisation services, whenever necessary. After settling all the claims, the unspent balance may be utilised for bonus and awards to managerial personnel, in particular the (FPO) and others in general in recognition of the meritorious services rendered by them to the nation. Compensation and awards

are two sides of the same coin; and in order to promote a healthy spirit of competition, the district may be considered as a unit for the purpose of awards.

No discrimination. Differential incentives are a direct invitation to fraud. In a poor and illiterate society, uniformity in incentives leads to better understanding and acceptance. It is for this reason that the same cash incentives have been recommended, irrespective of the number of living children. Gradation of incentives has been achieved by providing for the issue of National Service Bonds. The sum of Rs. 105/- will be made available for every sterilisation to a recognised individual or institution, public or private, as a Government subsidy (Rs. 15/- being retained for the community, compensation and awards). These incentives will be available to any recognised private practitioner, private nursing home or hospital, Government-employed medical practitioner, sub-centre, primary health centre or any other medical care institution. The two important requirements will be that:

(1) The practitioner or the institution should be recognised by a duly constituted Government authority; and

(2) The operatee must have produced a declaration, validated jointly by the FPEE and authorised representative from the community such as a member of the Gram Panchayat, etc.

The practice of denying these incentives or offering lower incentives to Government employees should be totally discarded, as such discrimination may discourage their fuller participation. Good family planning doctors and motivators should be encouraged to make family planning their career; and this objective can be obtained only if family planning for them is made profitable and satisfying.

National Service Bonds: According to this scheme, it is proposed that the Government of India should give to every man/woman undergoing sterilisation a bond (to be called National Service Bond) of a specified value with an interest rate of, say, 10 per cent, depending upon the age of the acceptor and the number of children he has. These bonds

will not be negotiable but mortgagable to banks. Against these bonds, the mortgagor can borrow 50 per cent of their face value at the commercial rate of interest. Once the accumulated interest on the bond exceeds the value of the bank loan plus interest, the Government will pay the principal and interest to the bank and the bond will be returned to the mortgagor. Initially, in order to make the scheme attractive, the borrower may use the money as he pleases. However, if the public response to the scheme is good, the loan may be restricted to use for productive purposes only (such as purchase of machinery, fertilizers, pumps, etc.) The rupee value of the bond will be adjusted to the number of living children. It is proposed to give a bond of Rs. 3,000, in addition to the cash incentive, to those having two children. It is felt that couples limiting their families by undergoing sterilisation when they have two or three children will be intelligent enough to understand and appreciate the National Service Bond. The scheme would be a powerful incentive to the rural and urban poor, for it will provide for old-age security and/or ready finance for investment and urgent consumption. The scheme also suggests one way of giving credit to small farmers, which has proved to be a very tractable problem so far. If the scheme succeeds, the benefit to the nation will be enormous. It can make a significant dent in the population problem (particularly among the rural poor, with whom the traditional methods do not succeed), while, at the same time, it will help the cause of rural development, with particular benefits to the destitute, the landless labourer and the small farmer. If this pilot project (that of giving National Service Bonds to those undergoing sterilisation with 2 or 3 children) succeeds, *the scheme may be extended to cover other parities.* If the National Service Bond Scheme is unacceptable, the acceptor with 3 or 2 children may be given additional Rs. 20 and Rs. 40 respectively to bring lower parity couples within the ambit of the sterilisation programme through graded incentives.

Other incentives like food supplements to the adopter and his/her children (provided they are less than 5) may

be used with advantage. Negative incentives—such as reversal of tax benefits in favour of those who are unmarried and have fewer children, limitation of maternity benefits to the first three children, preferential allotment of Government facilities of any kind or type—may also be tried. Employment and promotion may be subject to the condition that there will be no increase in the family size. All these may help to create the right psychological climate for the acceptance of family planning programmes.

Creation of Facilities: Conviction, communication and creation of facilities are the three bridges that can lead to success. Of these, the creation of facilities to deliver sterilisation service with tender, loving care is an uphill task.

Equipment: Hospitals and clinics, which possess the necessary personnel and technical skill for conducting sterilisation operations and IUCD insertions, may be given Government assistance for the provision of surgical equipment. A list of such equipment may be prepared and a grant, not exceeding Rs. 4,000, may be released to Primary Health Centres and such other public institutions as can give a guarantee for its proper utilisation.

Beds: To cope with the increasing demand for tubal ligations, sterilisation beds may be sanctioned to institutions /hospitals satisfying the following conditions:

(1) There should be adequate operation theatre facilities, including qualified medical personnel, for conducting tubectomy operations.

(2) Sterilisation beds to be established should be additional beds.

(3) For every additional sterilisation bed to be established, a potential for 30 sterilisations per year should be proved and fulfilled. Government assistance for the establishment of each new sterilisation bed should be admissible, subject to a ceiling of Rs. 7,500 per bed and to an overall ceiling of Rs. 1,50,000 in an institution with a ward of 20 beds.

Staff: District, sub-divisional and taluka hospitals and clinics may be sanctioned additional staff of one medical officer—who is fully trained to do vasectomy, tubectomy, MR and IUCD—one operation theatre nurse and two operation theatre attendants for the implementation of the sterilisation programme.

Operation Theatre: Grants may also be made available to an institution which performs 300 sterilisations per month or more for the construction of an operation theatre at a cost not exceeding Rs 30,000.

A Static Sterilisation Unit is one for which a special complement of staff may be sanctioned for sterilisation services in an established institution.

Post-Partum Units: This is an intensified implementation of a maternity-centred family planning programme with a very heavy emphasis on sterilisation, and is guaranteed to permeate the total hospital community with the philosophy and practice of sterilisation in particular and other methods in general—a comprehensive programme of SERVICE, TRAINING and RESEARCH. This programme may be instituted at all teaching hospitals and district hospitals. In order to meet the additional work-load, hospital services may be strengthened by the provision of additional inputs in the form of staff, beds, operation theatre, and equipment, including audio-visual equipment for motivational purposes.

Family Hospital: Here, total family planning services, including recanalisation and treatment of any complication, should be made available under a single roof with round-the-clock loving care. Such hospitals may be established both as public and private institutions in those talukas where there is no upgraded rural health centre or hospital to offer free family planning services, abortion at nominal cost and subsidised medical care. In effect a Family Hospital is an integrated Health and Family Planning Service with a singular difference: Funds generated by medical care largely and abortion to a lesser extent are utilised for the promotion of family planning services. This ensures a steady in-

come to the doctor leading to his continued interest in rendering quality services in family planning, including abortion. These services, provided for the weaker sections of society, should be suported by public funds. In the long run, this will be found to be most economical.

The implementation of this plan holds the key to national security and survival.

5.2

AFFORESTATION AND RURAL DEVELOPMENT

BAKHSHISH SINGH

India has a total population of about 600 million people (548.16 million in 1971) distributed over 2,641 towns and 5,75,721 villages. Agriculture utilises the maximum land area (about 46.4 per cent) in the country (328.1 million hectares), followed by forests, which cover about 22.7 per cent of the land area. About 80.1 per cent of the population lives in villages, and about 70 per cent of the total working population of the country is engaged in agriculture. Moreover, about one-fifth of the world cattle population is found in rural India. This vast human and animal population, which is growing at a rapid rate (of about 2.5 per cent average annual growth of humans) has enormous requirements of fuelwood, small timber for agricultural implements, rural housing and various developmental activities, grazing and fodder for livestock, thorns and brushwood for fencing and thatch, and raw materials for various wood-based small-scale industries.

Existing Forest Resources

The per capita forest area in India is only 0.14 hectares as compared to double this figure in Asia, 16 times in Africa, 28 times in U.S.S.R., 34 times in the Pacific region, 40 times in South America, and about 9 times in the world as a whole. Contrary to the directive of the National Forest Policy to bring one-third of our land area under forests,

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SHRI BAKHSHISH SINGH, I.F.S., is Assistant Silviculturist, Forest Research Institute, Dehra Dun.

18,36,250 hectares of the existing productive forests have been lost during the period 1951-56, because of submergence in river valley projects, extension of agriculture, townships, industries, construction of roads, canals, transmission lines and other miscellaneous purposes. While the area under forests is dwindling, the demand for fuelwood, timber, minor forest produce and other raw materials is increasing rapidly. Moreover, the existing forests in India are not well-distributed in different parts of the country, *e.g.*, in Uttar Pradesh, the sparsely-populated Himalayan tract has 80 per cent of the area under forests, while the Gangetic plains, with a very high density of population, have only 2 per cent of the land under forests. Similarly, in West Bengal, the Darjeeling tract has about 45 per cent area under forests, while the thickly-populated plains areas of the State have only 0.35 per cent. Forests have thus been mostly pushed back to remote hilly areas. It is obvious that the luxuriant and widespread forests of the Himalayas or of the Western Ghats are of very little use to the people living beyond 20 km of these zones of forests for their daily necessities of fodder and fuelwood. The uneven territorial distribution of forest resources necessitate the transport of forest products over long distances, which adds to their cost at the consuming end. The rural population in non-forest tracts is thus compelled to use cow-dung extensively as fuel, as a result of which the agricultural soil is deprived of its major source of fertility and productivity.

Fuelwood Requirements

The domestic energy consumption in rural as well as urban areas of India is about 0.35 tonnes of coal-equivalent per person per year as compared to about 3 to 8 tonnes in the developed countries. The total annual energy consumption in India is about 190 million tonnes of coal-equivalent. Of this, according to the Coal Utilisation Council, 1970 about 30 per cent of domestic energy requirements is met from cowdung cakes in rural India, while about 50 per cent of the requirements is satisfied by fuelwood. The quan-

tity of cowdung manure (dry cakes) burnt annually is estimated to be equivalent to the fertilizer production of as many as eight Sindri Fertilizer factories, each producing ammonium sulphate of the order of 75,000 tonnes. In view of the acute food problem in the country, it is of paramount importance to control and check this colossal waste of valuable cow-dung manure by providing alternative sources of energy such as fuelwood, "gobar" gas, kerosene oil, coal and electricity. The naturally-occurring resources of fossil fuels like coal, mineral oils, and nuclear fuels are limited in extent and are likely to be exhausted in the near future. As against this, forests and tree lands, which provide fuel-wood, are a renewable resource and, if developed and managed properly, can meet, on a sustained basis, the bulk of the energy requirements of the country for domestic purposes.

Much of the existing forest area in the country has to be dedicated either to the production of industrial raw materials or to the protection of sensitive catchment areas. In the present set-up, the possibilities for increasing the area under forests are very bleak. In this context, social forestry—which is expected to embrace the activities of farm forestry, extension forestry (including mixed forestry on wastelands, grassland development, raising of wind-breaks and shelter-belts along the sides of existing roads, canals etc.), afforestation of degraded forests and recreation forestry—can prove to be a turning point in rural development by meeting the needs of rural population for fuel, fodder and other wood products.

According to the National Commission on Agriculture, 1973, the requirement of firewood alone (based on population figures) is estimated to be 256 million cubic metres and 300 million cubic metres by 1980 and 1990 respectively, as compared to 203 million cubic metres in 1970. Thus, by 1990, the gap between supply and demand will be about 100 million cubic metres of fuelwood. Assuming an average rate of 5 cubic metres of wood production per hectare per annum, specially from plantations of fast-growing, short-

rotation tree species, we shall need about 20 million hectares of fuelwood plantations to bridge this gap.

Area for Tree Plantation

The Fuel Policy Committee (1974) has recommended that "the energy policy of the country should be designed on the premise that coal would be the primary source of energy in the country for the next few decades." This Committee, however, contradicts itself when, in the same report, it observes that "the prime coking coal reserves (of India) are expected to be exhausted in about 40 years." In the circumstances, we need to evolve our energy policy very carefully, and a desirable approach to the problem would be to rely more and more on renewable resources like fuelwood and to conserve the stored resources of non-renewable fossil fuels for emergent and specific uses only.

About 13 per cent (43.6 million hectares) of the land-area in India is under potential productive wastelands. Of this, about 9,02,000 hectares of wastelands along strips of roads, railways and canals can be utilised for tree plantations. About 7 million hectares are affected with salinity and alkalinity, and an additional 10,000 hactares are affected by this factor every year. About 3.1 million hectares are under ravines and gullied lands, the area of which, too, is increasing every year. In the Chhota Nagpur region alone, about 17 per cent of the cultivated area has gone under gullies in a period of 45 years. The Planning, Research and Action Institute, Lucknow, has pointed out that, on a conservative estimate, about 1,200 hectares of otherwise good land are being gobbled up by ravines (gully erosion) every year in Uttar Pradesh alone. Again, about 1,28,028 square kilometres in West Rajasthan are under sand dunes, while 1 million hectares are waterlogged. All these areas can be profitably reclaimed for diverse economic and ecological purposes if an adequate tree-planting programme is undertaken. Such plantations of suitable tree species will serve the dual purpose of protecting the biosphere and of supplying the much-

needed fuelwood, timber and fodder to rural communities, the lack of which has been an important factor in the present degraded condition of lands. It is a well known fact that even inferior lands can be utilised for social and welfare schemes through the creation and development of forest and grassland resources.

About 75 per cent of the total area under cultivation in India is dependent on rain-fed agriculture. Some of these areas have very low rainfall and suffer severe droughts. A part of such critical areas can be brought under tree plantations and grasslands, which thrive even on scanty and untimely rainfall.

Employment and Self-Sufficiency

Though about 70 per cent of our total working population is engaged in agriculture, its productivity is the lowest in the world—about one-twentieth of that in Britain, West Germany and the United States. The main reason for this is the fact that, quite often, more persons are employed on a farm than are actually needed. This makes for what is known as " disguised" or "concealed" unemployment in agriculture. Adequate employment, however, can be generated for such under-employed persons through the implementation of a social forestry programme by raising tree plantations, improving grasslands, and developing small-scale and cottage industries based on forest products. From the economic point of view, every farm should be self-supporting so far as the requirements of fuel and fodder are concerned. Tree plantation on farmlands will divert the much-needed organic farm-yard manure and cowdung into fruitful uses.

Such forest-based cottage industries as lac and *tasar* cultivation, bee-keeping, *bidi*-making, basket-making, rope-making, sericulture, etc., can be developed in villages by the planting of trees, which will thus provide useful employment to local people.

Mulberry trees can be planted as compact blocks on village wastelands, or as strip plantings along reclaimed river and stream beds, fringes of ponds and lakes, canal

banks and highways, or as single rows along field boundaries, irrigation channels, village and farm roads, field bunds and around orchards, or as scattered individual trees in the backyards of houses, cattle pens, or near farm wells and buildings, parks and grounds, and other sites not used for crop cultivation. This will encourage the growth of sericulture (silk rearing) and provide employment for children, old women and old men, who may be unfit for any hard work in the house or on the farm The yield of silk cocoons from 100 layings of silk worms varies from 40 kg to 50 kg per crop, and a farmer can take two crops in a year during autumn and spring. The initial investment on the purchase of equipment, etc., is only about Rs. 200. Assuming that the sale price of cocoons is Rs. 17 per kg (as in 1975), a farmer can earn about Rs. 1,360 to Rs. 1,700 per year through part-time work for about 40 to 50 days. In addition, he can make about 670 baskets with the pruned shoots from mulberry plants. His total annual income may thus be Rs. 2,030 to Rs. 2,370, if he utilises the pruned mulberry shoots for basket-making. Otherwise, the pruned material can very well be used as fuelwood. The trees will yield a handsome income from the sale of timber at maturity. The investment on equipment etc. is recovered during the very first silk crop itself.

A similar forest-based cottage industry, which can improve the economy of rural people, is *tasar* culture. With an annual output of about 400 tonnes of *tasar* silk, India ranks second among the major *tasar*-producing countries of the world, and earns about $3.4 million every year. Recent researches at the Central Tasar Research Station, Ranchi, show that by raising systematic plantations of suitable tree species at about 1.2 × 1.2 m spacing, foliage yield of about 17 tonnes can be obtained, which will sustain 720 egg layings, yielding about 57,600 cocoons and giving a gross annual income of Rs. 5,616 per hectare. Since the cost of production, in the form of labour and equipment, is Rs. 1,736, a net profit of Rs. 3,881 per hectare accrues to the farmer. Experience with the afforestation of degraded *kotar* lands (ravines) in Gujarat shows that wastelands

can be put to proper use through grassland development and the raising of suitable tree plantations, yielding an annual net return of about Rs. 445 per hectare from *eucalyptus hybrid* plantations, Rs. 665 per hectare from *sisham* and about Rs. 1,370 per hectare from *bamboo* plantations, which start yielding exploitable material to sustain the basket-making cottage industry from the fifth year onward.

Environmental Conservation

Forests and tree plantations help in providing a sustained supply of adequate quantities of clean water and pure air, and serve as a strong defence against erosion—the greatest demon of destruction. Moreover, forests and tree plantations yield a variety of raw materials for various industries and end-uses, and create a healthy environment so vital for man's survival on this planet. Trees use solar energy through the process of photosynthesis and, in the process, consume the polluting carbon dioxide from the atmosphere and release the life-giving oxygen. Moreover, shelter-belts and tree-plantings reduce wind velocity and check wind erosion, mechanical damage to crops and evaporation from agricultural fields. They help in the amelioration of the microclimate of an area through modification of humidity, wind turbulence and atmospheric temperature. Investigations in Russia show that, as a result of raising shelter-belts, crop yield increased between 20 per cent and 203 per cent. Shelter-belts also protect cattle from the ill-effects of hot and cold winds. The animals actually yield more milk in sheltered pastures.

In order to ensure a desirable impact of social forestry on rural development, a proper choice has to be made of species, varieties and provenances for planting on varied site conditions with a view to utilising the productive potential of an area to the fullest.

Forests are a renewable asset. They can be perpetuated through a judicious and discriminating use, and they can be pressed into service to produce a wide range of goods

and services which are so essential for the socio-economic well-being of the rural poor. It has now come to be increasingly recognised that afforestation must be integrated with programmes of agricultural and industrial development with a view to promoting self-sustaining growth and providing adequate employment opportunities to the local populace during the off-season. It is because of these reasons that afforestation has come to occupy a proud place in the economic programme of the nation following the enunciation of the Five Points by the Youth Congress. Already, tree-consciousness has been awakened among the village folk, and they have come to realise that, with alternative supplies of cheap fuelwood from village plantations, they would be able to divert the valuable cow-dung from their hearths to their fields to restore soil fertility to their increasingly barren lands and step up their per-acre yield. These gains are likely to multiply as the afforestation programme picks up its proper momentum in the immediate future, and change the socio-economic complexion of the whole of rural India.

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AFFORESTATION: AN ACTION PROGRAMME

V. V. KHOT

Forests and treelands constitute a basic national resource of vital economic importance. The enormous increase in population and the improvement in the standard of living have given rise to diversified demands for a large variety of products on the one hand and have created new stresses due to heavy pressures on the land on the other. Though the paramount function of forests in the conservation of land, soil, water and other environmental values is well appreciated, it has been largely disregarded in practice, and the deterioration of land in the catchment of rivers and the disintegration of the natural ecological system have been the disastrous consequences.

In India, forests as they exist today are confined mainly to certain tracts of the country, such as the upper regions of the Himalayas, the central Indian plateau, the higher ranges of the Eastern and Western Ghats and the north-eastern region. The most densely populated plains are bereft of vegetation; so are the vast hot deserts in the West and the cold deserts in the Northern Himalayan region. This imbalance in the spatial distribution of the existing forests has given rise to serious socio-economic problems and has also created serious environmental instability.

This rapid shrinkage in the forest area of the country and the steady destruction of the vegetal cover have degraded the environment to such an extent that floods and

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SHRI V. V. KHOT, I.F.S., is Conservator of Forests, Thana Circle, Maharashtra.

famines, scarcity of fodder, fuel and most of the other forest products of everyday use have become almost a constant feature of our lives. The question therefore is: Can our country prosper in such a hostile environment? Can the advances made in agriculture be sustained under such an unfavourable ecological balance? The answer is an emphatic "No." The solution is: Make India green again.

Realising the importance which forests and treelands have in the growth of the national economy, the Central Board of Forestry has suggested an action programme, which has now been adopted and which is now in the process of being implemented throughout the country.

Briefly speaking, the action programme aims at planting all the vacant lands and depleted forest areas in the country with the most economic trees, suitable to the the locality, in as short a time as possible. In the "Make India Green" campaign, the entire resources of the country will have to be mobilised and the programme will have to be executed through the active involvement of village agencies, corporate bodies, individuals and Government Departments which have the capacity to contribute substantially towards the success of this massive programme.

There are a number of large industrial undertakings and other institutions which have been persuaded to give the required lead and support to this programme. In addition, the vast army of youth of this country is being motivated to engage in this vital nation-building activity. Formation of Tree Clubs at district, taluka and village levels has been encouraged and their voluntary participation secured. In order to give a proper direction and strong support to the programme, committees at the State level under the chairmanship of the Chief Minister and at the district level under the Collector/Dy. Commissioner have been established. These committees will be the main agencies to raise the funds required for the implementation of the programme.

Sufficient planting material in the form of seeds, cuttings, seedlings, etc., will be made available at easily

accessible points so that they may be distributed more conveniently in the areas identified for the tree-planting programme. The responsibility for raising nurseries in adequate numbers at the required points has been entrusted to the extensive organisation of the Forests and Agriculture Departments, whose efforts will be supplemented by such institutions as Agricultural Universities and large industrial undertakings and other corporate bodies.

In order to identify lands to be planted, a rapid survey has been undertaken through the involvement of village, tehsil and district level organisations. Once the data on the plantable area are compiled, a five-year planting programme will be drawn up to cover all the areas and to guide plantation activity.

The Forest Department of each State has been made primarily responsible for providing seeds and cuttings of the species required for raising the nursery stock and for distributing them to various centres, where the nurseries will be located and plantations created. The Forest Department will also prepare a district level layout of the nurseries which are proposed to be located along road-sides, in school compounds, in the compounds of Panchayat Ghars, in Block Development headquarters, around village ponds and within the precincts of public and private undertakings. For this purpose, the extension organisation of Forest Departments is being suitably strengthened to enable them to shoulder the responsibility assigned to them.

The seeds to be supplied to each nursery will be chosen with due regard to their economic and social benefits and the agro-climatic conditions obtaining in the areas in which the seedlings are to be planted. A list of such species will be supplied by each State to each identified agro-climatic zone within the State, clearly arranged in the order of their economic utility in the shape of cash returns from fruits, leaf, fodder and wood.

The most important factor in the successful implementation of the "Make India Green" programme is

adequate after-care of the planted areas outside the control of the Forest Department. It would be practical to entrust this responsibility to specific bodies, such as Gram Panchayats, town area committees, societies of tree-lovers and enthusiastic individuals. In this respect, youth organisations, women's social welfare boards, tree clubs, and other institutions involved in conservation activities, are expected to make a substantial contribution. The appointment of voluntary Tree Wardens is also contemplated.

One of the heartening features of this campaign is the tremendous enthusiasm shown by youth organisations in urban areas. Realising that trees are the best purifiers of air, these organisations, specially those in densely-populated cities like Bombay where pollution hazards are on the increase, have done a commendable job by undertaking tree-planting on a massive scale. For example, the youth organisation of Chembur (a Bombay suburb, which is today recognised as the most polluted area in the country) is planting trees not only in the vacant lands made available to them for the purpose, but have also been going from door to door to persuade individuals and institutions to take up the planting of trees. The success achieved by them is tremendous. Thousands of trees have been planted in this area; and the local population has voluntarily come forward to protect and nurse them to maturity. Let us hope that this spirit will catch up fast in all parts of the country.

A nation grows with its forests. A country grows, economically and socially, when it pays adequate attention to the conservation and growth of tree-cover. The "Make India Green" campaign will achieve these objectives; and these objectives must be achieved if India is to resume her rightful place in the world.

5 3

LITERACY AND ECONOMIC GROWTH

G K. GAOKAR

No country in the world is free from illiteracy which, however, became a major problem with the development of technology and modern means of transport and communications, when the need for effective and quicker communication was felt at every stage in life. "This," says the Education Commission in its report (1964-66), "is particularly urgent in a society in which masses of people have missed schooling and in which the education given has been irrelevant to the developmental needs." The new scientific techniques in the fields of industry and agriculture demand greater competence from the worker and the farmer than ever before. Unless they know the scientific processes involved in the methods of production, they will always be backward. This is the *raison d'etre* of literacy programmes.

As stated earlier, the world literacy situation is precarious. Out of the total adult population of 2,287 million in the world in 1970, the total number of illiterate adults was *observed* to be 800 million. And out of these 800 million illiterate adults, nearly 180 million illiterate adults are in India alone. According to the Census of 1971, with nearly 30 per cent of total literacy in India, a vast majority—about 380 million persons—of all ages are found to be illiterate. It is true that we have progressed in the total literacy percentage from 16 in 1951 to 24 in 1961 and then to 30 in 1971; but in absolute figures, we have

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SHRI G. K. GAOKAR is Social Education Officer, Bombay City Social Education Committee, Bombay.

actually lost ground. There were 280 million illiterates in 1951; this number rose to 330 million in 1961 and to 380 million in 1971 (See Table 1).

This backward progress in literacy has adversely affected our national development schemes in agriculture and industry. Our plans for population control have also been frustrated because of mass illiteracy and ignorance. All these facts underscore the magnitude of the literacy problem and the urgent need for tackling it with vigour and promptitude.

"Social Education"

With the emergence of India as a free country, adult literacy programmes were initiated on a large scale; but they failed because they were neither function-oriented nor selective in approach and, moreover, did not effectively reach the small farmer or worker. Because the accent in this literacy drive was on the three R's, it did not serve the basic important function of a social and economic input. As a result, a very large number of new literates lapsed into illiteracy and swelled the pool of illiterates.

As early as 1949, a decision was taken to designate adult education as social education because the latter term signified more appropriately the broadened concept of adult

Table 1
PROGRESS OF LITERACY — 1931-1971

Year	*Total literate males*	*Percentage of literate males to total male population*	*Total literate females*	*Percentage of literate females to total female population*	*No. of literate females per 1000 males*
1931	23,669,751	15.59	4,169,105	2.93	132
1951	45,610,431	24.95	13,650,683	7.93	299
1961	77,939,833	34.44	27,573,928	12.95	354
1971*	1,11,911,000	39.51	48,699,191	18.44	435

Source: Census of India, 1961, Vol. I, Part II (A), p. 181.

* Provisional Population Totals, Paper I for 1971, Supplement, Census of India.

education, which included civic education, cultural and recreational activities, literacy work, library development, development of folk arts, etc. Social education thus became a comprehensive programme of community uplift through community action. It was, therefore, closely linked and integrated with the programme of community development blocks and extension services.

The UNESCO also helped in developing new concepts of adult education through the three International Seminars held at Elsinor, Montreal and Tokyo in the years 1949, 1960 and 1972 respectively. In 1949, it gave us the concept of fundamental education, which influenced us to set up a National Fundamental Education Centre at Delhi to train key personnel in the field. Then came the concept of functional literacy, and accordingly we implemented the Kisan Saksharata Yojana—farmers' functional literacy and training programme The Tokyo Conference suggested continuing education and *integration of adult education with the formal system of education.* Adult literacy, however, has not made much headway. The increase in the number of literates is mostly due to the expansion of primary education, which now reaches about 80 per cent of the children in the country.

Causes of Failure

The causes of failure may be formulated as follows:

(i) High rate of personnel turnover at all administrative levels;

(ii) Chronic lack of full-time (and fully committed) personnel at all administrative levels;

(iii) Lack of strategic personnel in some districts; and

(iv) Inadequacy of the training of those personnel who were involved at all levels. Instructors in the agricultural component of the programme, for example, were drawn from many sources, ranging from professional agricultural extension workers to successful local farmers. Again, many teachers, despite the functional content of the teaching materials, tended

to pursue traditional academic methodology, stressing traditional literacy skills.

It has also been realised that the literacy content did not attract the learners since it did not touch the relevant problems faced by them. Nation-wide intensive programmes of family planning have now been launched. But they, too, do not have much significance for a vast section of the illiterate population. Mere persuasion or coercion cannot arrest population growth; people must understand the implications of the unchecked growth in population and acquire some knowledge of the laws of life and appreciate individual responsibility in the implementation of family planning programmes. No nation can entrust its security only to the police and the army. To a large extent, national security is guarded by citizens, and therefore depends largely on their education, their knowledge of affairs, their character and sense of discipline, and their ability to participate effectively in security measures.

In the final analysis, therefore, literacy should not be treated as a mere accessory to economic development. It must necessarily be integrated with the improvements in living and working conditions. It should also aim at bringing about man's adjustment to change, so that he may become both the agent and the object of development. Whatever the approach to literacy, its content must be such as would be meaningful in the lives of the learners; and this content would be meaningful only if it teaches the learner new ways of adjusting himself to the changing environments with a view to promoting his occupational enterprise and enriching his personal life. In other words, to be meaningful, literacy should enable the learner to acquire facilities of written communication which may stand him in good stead in his every-day life and in his work, and facilitate the acquisition of further knowledge and its adaptation to any new situation and problem that may arise. To achieve such a meaningful and problem-oriented literacy, the content must necessarily be systematically designed. The Directorate of Non-formal

Education, Government of India, suggests a similar type of strategy to overcome mass illiteracy and ignorance in this country.

Such a type of realistic content was lacking in the literacy programmes in the past. Why? We have talented people in this country; we have the resources, and we have the will. Why, then, did we not go ahead with preparing a significant curriculum of non-formal adult education, which would prepare the largest human potential in this country to take an active part in national development schemes? We must build up a nation-wide infrastructure which would carefully study the needs of the learners and suggest a profitable curriculum for them.

Gigantic Effort

The question here arises: How are adult literacy and adult education programmes to be effectively organised? Past experience shows that large numbers of the general public have not been involved in the implementation of these programmes. A gigantic effort is obviously needed for this purpose. The programmes are now being directed by the Department of Non-formal (Adult) Education, Ministry of Education, Government of India, with the support of the State Governments' Adult Education Departments. However, voluntary organisations should also be encouraged to assist in the implementation of these programmes; their efforts, too, to be meaningful, should be co-ordinated with those of the organisations set up at the national and State levels. Perhaps a large-scale participation of University students during the long summer vacation would be helpful in giving the required impetus to the implementation of these programmes.

Functional Literacy

The major objectives, which the nation has to realise swiftly, are widespread and balanced industrialisation and modernisation of agriculture with a view to stepping up production and thus stabilising prices. Industrialisation and modernisation of agriculture, however, require capital,

raw materials, advanced technology, professional skills and real ability. Any kind of growth in the modern world is unthinkable without a skilled and intelligent labour force, which has specialised at all levels within each industrial or agricultural unit. For this purpose, training in skills assumes paramount importance, and should be suited to the environmental conditions and standards of the people in the country. Teachers are, therefore, required not only to provide vocational instruction or impart manual or physical skills, but also to stimulate a new outlook among the learners and introduce them to, and familiarise them with, the idea of professional pride in one's work. Such industrial training would include vocational technology, industrial design, arithmetic, industrial safety, hygiene and civics. Among those who are engaged in agricultural occupations, the training in civic behaviour and hygienic life should also be coupled with the communication of specialised knowledge in the use of seeds and fertilizers best suited to the kind of soil on which the farmer has to work. All these skills, however, can be acquired only when there is a certain level of literacy. If this literacy level is absent, it must be created through a functional literacy component as a basic instrument of change.

A strong will and determination have recently been created in the country for urgent economic development. Widespread and balanced economic development, however, is unthinkable in a country where 380 million people cannot even read and write. A literacy campaign in a meaningful and significant form—this campaign may be functional literacy, work-oriented literacy or literacy in non-formal (adult) educational programmes—can be successfully worked out if we generate a strong national will, supported by political innovations and an all-out effort to involve the younger generation in a systematically organised way.

Favourable Factors

There are economic, social, political and administrative structures that favour the accomplishment of literacy projects. Some of these are:

(i) Those that, from the political point of view, tend to bring about the effective participation of every citizen in decision-making at all levels of social life—in economics, politics, and culture;

(ii) Those that, from the economic point of view, aim at an endogenous and harmonious development of society, and not blind and dependent growth;

(iii) Those that, from the social point of view, do not result in making education a class privilege and a means of reproducing the established hierarchy and orders;

(iv) Those that, from the professional point of view, provide communities with a genuine control over the technologies they wish to use; and

(v) Those that, from the institutional point of view, favour a concerted effort and permanent co-operation among the authorities responsible for such basic services as agriculture, welfare, health, and family planning.

Experience has shown that all unorganised economic activity suffers from a high incidence of illiteracy. This is evident from the fact that the rate of illiteracy varies from

Table 2

INCIDENCE OF ILLITERACY ACCORDING TO ECONOMIC DEVELOPMENT, 1971

	Percentage of illiteracy
Cultivators	68.37
Agricultural labourers	84.53
Workers in livestock, fishing, etc.	73.74
Mining and quarrying	65.49
Manufacturing, servicing the forms of household industry	57.11
Manufacturing, servicing other than households	35.84
Construction activity	52.16
Trade and commerce	26.98
Transport, storage and communication	32.26
Other activities	31.33

close on 27 per cent among those who are engaged in trade and commerce to 84.5 per cent among those who are engaged in agricultural occupations. Table 2 gives the incidence of illiteracy according to economic activity.

From the foregoing table, it would appear that lack of organisation and lower economic status have prevented persons from making a worthwhile use of the available literacy programmes.

It was Mahatma Gandhi who said: "Mass illiteracy is India's sin and shame; and it must be liquidated. But the literacy campaign must not end with the knowledge of the alphabet. It must go hand in hand with the spread of useful knowledge." Experience has shown that literacy can end the alienation of the individual by absorbing him into the mainstream of national life. It helps him to expand his critical awareness and creative imagination, and enables him to participate, as a responsible agent, in all the decisions affecting his destiny.

For it is evident that unless people are literate, educated, knowledgeable, they will not be able to participate intelligently and effectively in any social, political or economic experiment. In a way, therefore, the success of the Prime Minister's Twenty-Point Programme, the very success of the democratic experiment in India, depends, at least in some measure, on a swift and effective implementation of the literacy programme. Knowledge is power. Knowledge is wealth. Let us, then, get on with the job and communicate knowledge to the vast submerged sections of the nation that are living in the twilight of ignorance. Let us push back the frontiers of their darkness and let daylight into their minds.

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THE MENACE OF DOWRY

JAYANT LAKHKAR

The origin of the dowry system is unbelievably modest, with no hint of the cataclysmic potentialities displayed by it today. the The ancient marriage (*vivah*) rites in the Vedic period are associated with *kanyadan* or the ceremony of giving away the bride, specially in the *Brahma* and *Prajapatya* forms of marriage. According to *Hindu Shastras,* the meritorious act of *dan* or ritual gift is incomplete till the receiver is given a *dakshina*. Thus, *kanyadan* became associated with *varadakshina, i.e.,* the gifts in cash or kind by the father or guardian of the bride to the bridegroom. This *varadakshina* or dowry included ornaments and clothes, which the father of the bride could afford, and were given away as the property of the bride. This had, however, only a symbolic value in the entire marriage ceremony as it was not considered respectable for the groom or his parents to ask for ornaments of a specific value. It was a voluntary practice without any coercive overtones. The *Smritis* insisted that the ornaments were the bride's *streedhan,* over which she enjoyed complete right; it would provide her financial protection in adverse times. The dowry system, as originally devised, provided post-marital security to an otherwise helpless *(abala)* bride. It assumed its present form with the degradation of the position of women in society. The voluntary element in dowry disappeared, and was replaced by an obligation on

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SHRI JAYANT LAKHKAR is Joint Manager, Maharashtra Small-Scale Industries Development Corporation, Ltd., Bombay.

the part of the bride's father to give definite compensation to the bridegroom to free himself from the liability of having had a daughter. The coercive element slowly crept in and took deep roots in both the marriage ceremony and post-marital relationship. The infliction of inhuman psychological and physical torture on the bride to compel her relatives to satisfy the dowry demands of the bridegroom's parents achieved social sanction and did not evoke any active sympathy for the bride.

Caste and Dowry

In ancient India, according to still another form of marriage (*asura vivah*), the bridegroom paid a certain price known as *sulka* or bride-price, which served as a compensation to the parents of the bride for the loss of their daughter. This tradition has been inherited by patrilineal tribal groups in India. Many castes on the lower rungs of the social ladder, and some on the middle rungs also, have this self-same tradition. But these are exceptional cases and bear no traceable qualitative or quantitative relationship to the existing practice of dowry.

The social reformers of the 19th and early 20th centuries—beginning with Raja Rammohan Roy, Ranade, Karve, Ramabai, Ishwar Chandra Vidya Sagar, Mahatma Gandhi, etc.—have striven hard to abolish the social evils from which Indian women suffer. Mahatma Gandhi laid stress on the abolition of the evil of the dowry system. He said: "There is no doubt the custom is heartless. The (dowry) system has to go. Marriage must cease to be a matter of arrangement made by parents for money." Gandhiji saw that the evil of dowry was closely connected with casteism, which restricted the choice among bridegrooms. He declared: "The girls, boys and their parents will have to break this bond of caste if the evil (of dowry) is to be eradicated .... All this means education of a character that will revolutionise the mentality of the youth and the nation." Society, because of its rigidity, has, however, not yet fulfilled this cherished desire of the Mahatma. Undergoing a complex change cha-

racterised by such processes as modernisation, urbanisation, industrialisation, etc., it has responded erratically to the developmental stimuli of education, democratisation and the wider avenues of participation in the social process, and fostered the frankensteinian growth of the dowry system instead of uprooting it.

Present Position

Though dowry is an all-India phenomenon, there are some communities and groups which are relatively free from the menace of this custom. Most Muslim communities, the non-Catholic Christians outside Kerala and the Parsees do not have dowry as an essential part of the marriage ritual. The Nagar Brahmins of Gujarat, the Khatris of Uttar Pradesh and the Mathur Kayasthas do not have dowry as a custom. Many castes in Maharashtra have no dowry. But today, even those belonging to this non-dowry category have taken to dowry, and look upon it as a prestige symbol. Dowry is practised among almost all the castes of the Hindus in all the States. So do the Aggarwals and other Vaishya groups in the Hindi-speaking areas, the Rajputs and the Kayasthas and the landlords of Bihar and Uttar Pradesh. In the South, the Reddis, the Kammas, the Velmas, the traders and well-to-do Brahmins, the Vellalas, the Mudaliars, the Chettiars, Vaishyas and some Lingayat groups and the Christians (in Kerala) are known for their passion for big dowries. In Bengal, and all the other States, all the upper castes practise dowry, which is equally prevalent, at present, among the Muslims and Christians. For example, the Christians of Mangalore follow their pre-conversion custom of *kanyadan*. Among the Muslims, in many parts of the country, there is the custom of giving cash to the bridegroom (called *salami*), and of giving clothes and jewellery to the bride by the parents of the girl, who also bear the other expenses of the marriage.

In many cases, black money and unaccounted earnings play a great role. The whole transaction takes the form of a huge bribe to buy the daughters' future by arranging

marriage alliances with families of high social status. In the process, they raise the expectations of others in the marriage market, the only sufferers being men of honest means and moderate incomes. This practice has driven middle-class educated girls to take up clerical work, become teachers, nurses, sales-girls, in order to earn their dowry. This is particularly true in urban areas.

Effects on Upbringing

The birth of a child, *per se*, is a moment for rejoicing everywhere. But in many parts of India, the birth of a baby girl is a matter of sorrow which, far too often, erupts into agony. A female child thus casts a shadow of near hopelessness over the whole family, and becomes a spectre that continues to haunt it till the wedding of the girl—and, quite often, till long after the wedding and sometimes till death brings peace to the tormented girl. The so-called equality of status and opportunity between the sexes guaranteed by the Constitution is completely nullified by the social evil of the dowry system.

We Indians are justifiably proud of our unity in diversity. We boast of a civilisation, a culture, a spiritual heritage which go far back into the very dawn of history and even beyond. The religious and social philosophies in this country emphasise the importance of human values, and greed for money is underscored in our Scriptures as one of the more serious offences against man and society. Yet it is greed for money which is responsible for the emergence and continuance of the dowry system. This glaring contradiction between precept and practice underlines our social hypocrisy, which exists on a gigantic scale.

The tragedy of the entire situation is the lack of awareness on the part of parents of the psychological distortions created by their behaviour. The family does not remain the *sanctum sanctorum* of love and affection; it becomes a trading house where human lives are bought and sold, and where love and affection are distributed in proportion to the price paid for them. The distortions sown early in

the children's minds assume grotesque proportions as they grow up, so that they, too, perpetuate the evil and make *their* own offspring suffer more or less in the same way. The cancerous growth of the dowry system has resulted in the subordination of the instincts and the will of children to the greed of their parents; the resulting social catastrophe and psychological torture have gone almost unchecked in a dowry-crazy society. Boys and girls are not free to choose their life-partners; their parents assume this responsibility, and the major consideration in their choice is the pecuniary gain or loss that will flow from it.

Towards Equality

On the occasion of the International Women's Year, the Government of India appointed a committee under the chairmanship of Dr. (Smt.) Phulrenu Guha, which published a report entitled "Towards Equality" in 1975. This report says, *inter alia*: "The prospects of marriage produce considerable strain on the girls during their childhood and adolescence.. . In the continued relationship between the two families, gift-giving characterises the occasions of visits, feasts and festivals, and ceremonies like those associated with marriage, childbirth, initiation, etc., particularly in the first few years of the marriage. It is a matter of general observation and experience that in such gift-giving, the bride's family is under compulsion and heavy pressure. These subsequent expenses are often regarded as making up for the deficiencies in the dowry and cause severe hardship to the girl's parents. In the first few years of marriage, the girl's treatment is linked to these gifts. Thus, dowry is not one isolated payment but an array of gifts over a period of time."

Reasons for Dowry

Among the psychological and social reasons for which dowry is demanded and given, the following are important:

(i) It has been viewed as a kind of pre-mortem inheritance of the daughter who has to leave her natal family to join another but who has some rights

over the former. Dowry thus stresses the notion of female property and female right to property.

(ii) A daughter should have something to fall back upon in times of crisis, and also for setting up house.

(iii) There is a genuine desire on the part of the parents to see their daughter well-placed. The daughters have to be assured of a marriage that would provide them with the same, or even a better, standard of living.

(iv) Girls themselves aspire to have their households settled in a grand style by their parents to enhance their prestige in the eyes of their parents-in-law.

(v) Desire for ostentation and sense of prestige and status have contributed to an increase in the wedding expenses incurred by parents.

(vi) Parents demand dowry since they are compelled to give dowry while giving away their daughters in marriage.

(vii) The fathers of educated boys like to get back the amount spent by them on their sons' education.

(viii) An uncertainty about future economic support by the son induces a father to demand dowry.

These reasons bring into sharp focus the capacity of our society to distort intents, twist logic and camouflage motives. Perhaps it is this in-built capacity for self-deception which has made it possible for the acceptors of dowry to make nonsense of the anti-dowry law.

Need for Education

A study by Dr. Prakash Singh of the Department of Sociology and Anthropology in the Punjab University reveals that though there have been several cases of torture of newly-married brides by their husbands and the latter's relatives on the question of dowry, not a single person has been convicted in the Punjab under the Dowry Prohibition Act enacted in 1961, despite the fact that 82

per cent of the residents of rural and urban areas in Patiala have expressed themselves in favour of a strict implementation of the anti-dowry legislation. The surprising fact was that only 15 per cent of them knew about the existence of such a legislation. About 84 per cent wanted to educate people through the mass media on the need for eradicating this evil. About 80 per cent suggested that the younger generation should be educated against the acceptance of dowry through a regular course in schools and colleges.

The survey was conducted at Srinagar, Bombay, Calcutta, Trivandrum, Chandigarh, Jaipur, Madras, Mangalore, Bangalore, Bhopal, Bhubaneshwar, Allahabad and Agartala, where the dowry system was quite prevalent. According to the survey, however, Assam is probably the only State in India where there is no dowry system.

Causes of Failure

Why did the Dowry Prohibition Act of 1961 fail? It failed because, though it made the acceptance of dowry a non-cognizable offence, it hastened to explain: "For the removal of doubts, it is hereby declared that any presents made at the time of marriage in the form of cash, ornaments, clothes or other articles shall not be deemed to be dowry within the meaning of this section, unless they are made as consideration for the marriage of the said parties." This explanation immediately takes out the teeth of the law, and completely nullifies the objective for which it was enacted. Moreover, while defining dowry, it includes all sorts of payments in cash and kind but excludes *mehr* in the case of persons to whom the Muslim personal law applies. *Mehr* is a payment made by the husband to his wife in advance for the services she will render after marriage. But such type of payment also may not be proper (though tolerable) on the ground of equality of the partners in marriage.

For more than a year now, the crusade against dowry has been gathering a great deal of national momentum. Most of the States have either passed anti-dowry laws or

are in the process of doing so, making the giving or receiving of dowry a penal offence, and providing for imprisonment and/or fine. Now that the Youth Congress leader, Shri Sanjay Gandhi, has vigorously launched an anti-dowry campaign, it is expected that the law will be vigorously implemented

Effective Implementation

Acts meant for eradicating social evils must necessarily be result-oriented. It has often been observed that legislation providing for the abolition of such social evils as untouchability, prohibition and child marriage are invariably ineffectively implemented, for the guilty are usually allowed to get away with violations of the law. If, however, laws are carefully drafted; if all the possible loopholes are plugged; if they are strictly implemented without fear or favour; and if deterrent punishment is provided and imposed on law-breakers, there is no reason why social legislation should not bring about the desired results. At the same time, however, the necessity for social legislation should be widely publicised and public opinion properly educated with a view to ensuring a reasonable and willing acceptance of the law.

Many social evils flow from economic ills. It is generally said that the temptation to demand and accept dowry arises out of the psychology of making a fast buck. If this were so, only the poor and economically weak would accept dowry. The facts, however, do not bear out this assumption, for it is usually those who are affluent or, at any rate, economically well off, who insist on dowry. The lower and middle classes do so out of economic necessity; the rich because they want to indulge in a vulgar and ostentatious show of wealth. In view of the fact that only a microscopic section of the population is rich, the economic aspect of dowry assumes tremendous significance. It is obvious that, as our economy grows stronger and the fruits of development are quickly distributed over an increasingly larger section of the population, the lure of money will cease to be a potent temptation.

Remedial Action

To sum up, the evil of dowry must be attacked from all sides—psychologically, legally, economically—and appropriate remedies must be evolved. These remedies should include:

(1) A fool-proof law making dowry a penal offence, and providing for deterrent punishment.

(2) Economic security for the youth.

(3) Social education in schools and colleges.

(4) Creation of a social consciousness among the elders by such means as (a) boycotting parents demanding dowry; (b) peaceful picketing by young persons at marriage ceremonies when dowry has been demanded and accepted; (c) door-to-door drive by students and young men, boys and girls, who should themselves pledge not to give or accept dowry; and (d) wide publicity to the evils of dowry through all the available publicity media.

(5) Economic independence of women to enable them to stand up to the family and social disadvantages.

(6) Persons accepting dowry at the time of their marriage should not be eligible for a job in any Government or quasi-Government body. Married men, while entering service, should declare that they have not accepted dowry in marriage. Should the declaration prove to be false, they should be liable to disciplinary action, including dismissal from service. The Rajasthan Government has already taken some action in this direction.

(7) The literacy drive should be intensified, especially among women.

(8) Compulsory registration of marriages.

(9) Ill-treatment of young married women because they did not bring any dowry, or because less was given than was expected by their parents-in-law, should be made an offence under the Indian Penal Code; and when such an offence is committed, the burden of proof of innocence of the parents-in-law and/or husbands should be shifted to the latter.

(10) When a young married girl has committed suicide by whatever means, it should be presumed, *prima facie,* that she has been driven to it by her parents-in-law and/or her husband, and that it should be the latter who should be called upon to prove their innocence. (Such a provision in the Indian Penal Code would probably terrify the would-be offenders and bring them to a sense of sanity and social responsibility.)

(11) Provision should be made by Government, quasi-Government and social organisations for free legal advice and assistance to such married young women as want to file suits for divorce against their husbands by reason of their being tormented for having brought an inadequate dowry, or no dowry at all, at the time of their marriage. Widespread publicity should be given to such cases, which should be expeditiously disposed of, so that, progressively, social excommunication and/or boycott may be brought about of such parents-in-law and husbands as, inhumanly and for the sake of money, destroy, or assist in the destruction of, the life and happiness of innocent human beings.

The educated youth is grossly insensitive to the evil of dowry and unashamedly contributes to its perpetuation. This is one more reason why the suggestions made above should be implemented without delay, for then alone will the dowry system die a natural death. It is not enough to stigmatise it as a social evil. It is not enough to mention in a newspaper, as a kind of postscript, that a young woman was burnt to death while she was cooking in the kitchen, that the stove burst and enveloped her in flames, that she poured kerosene on her clothes and made a funeral pyre of herself. Such a postscript has become the twentieth century epitaph for these martyrs of matrimony—these poor, helpless, unfortunate sacrifices to the greed and rapacity of man.

Apart, however, from the widespread misery it causes, the dowry system is productive of a number of social evils as well Not infrequently, to escape from the agony of it all, the father of the girl puts an end to his own life. When

he has the courage not to take his own life but to face up to all the misery and heartache that flow from his efforts to provide a dowry for his daughter, he goes off the social rails, commits theft, criminal misappropriation, forgery, fraud, even burglary with a view to finding the means for marrying off his daughter. Sometimes, the father receives money from the bridegroom and gives his daughter in marriage to a man who is old enough to be her father. Cases have been known of girls of sixteen to eighteen being married off to men who are above fifty, even to men who are doddering towards the grave More often than not, however, these victims of an inexcusable social evil, pour kerosene over their clothes and make bonfires of themselves in order to escape the taunts, the abuses, the beatings of their parents-in-law, and even of their husbands. How long is society going to tolerate this evil that flows from the greed, the rapacity, the inhumanity of men?

CASTE BARRIERS

PRATIBHA V. GOPUJKAR

Caste as a social problem has exercised the minds of many sociologists, social workers, researchers, educationists, and politicians, not only in India but in other parts of the world as well.

The manifold aspects of caste and the variety of forms it has taken up till now have made a definition of caste rather difficult. However, E.A.A. Blunt describes it as "an endogamous group or collection of endogamous groups bearing a common name, membership of which is hereditary, imposing on its members certain restrictions in the matter of social intercourse, either following a traditional occupation or claiming a common origin and generally regarded as forming a single homogeneous community."

It is claimed that caste originated in Ancient India from the four-fold classification of society, which was based on the principle of division of labour. This may be true of the upper three castes, *i.e.*, the *Brahmins*, the *kshatriyas* and the *vaisyas*, but the *sudras* or the *Anaryas* were compelled to serve the others right from the beginning. This clash between Aryas and Anaryas is at the root of the caste system, which perhaps evolved later on and developed into the extreme form of untouchability.

Some Aspects

Caste as a social problem has two aspects: one is the

MRS. PRATIBHA V. GOPUJKAR is Lecturer in Tata Institute of Social Sciences, Bombay.

phenomenon of untouchability, which is against the current notions of mobility and social equality; while the other is that of caste in general which, as a social group, is opposed to social mobility. Both the aspects and the forces bringing about changes in them are discussed here.

The saints of the medieval era, like Kabir and Guru Nanak, recognised the need to do away with the evils of caste system. The saints of Maharashtra preached a simple way of worshipping God and taught how all persons, irrespective of their caste, can attain "moksha" through the mere utterance of God's name. Pioneering work done by saints like Dyaneswar and Namdeo helped to lower the dominating position of the Brahmins in the spiritual life of the people, for these saints considered all human beings to be equal. Hence Eknath dined with the low caste and violated the social rules concerning pollution and the supremacy of the Brahmins. As a result, the saints had to undergo either a purificatory rite or to suffer social segregation. Even these saints, however, though they became popular later on, could not do anything more than introduce the idea of equality.

Gandhiji took up the issue early in the present century. Though he believed in "karma," he vehemently opposed untouchability. The lower castes did achieve some status, at least on the ideological level when they received a new name and came to be known as "Harijans." Later, however, this new name, instead of helping the Harijans to improve their status, came to be synonymous with the "lower castes" and thus acquired a new connotation.

Complex Phenomenon

The Directive Principles of the Constitution of India aimed at securing to citizens justice, liberty and equality, and promised the promotion of fraternity. The different legal provisions outlaw the practice of untouchability and provide protection to those who contract inter-caste marriages. These provisions, however, did not bring about any material change, and untouchability continued to be practised in different forms in the different States of India,

according to the Report of the Committee on Untouchability, Economic and Educational Development of the Scheduled Castes, published in 1969. The report cites examples of the practice of untouchability in villages in different States. Scheduled castes children are not allowed to sit with other children in school; a separate school is provided for scheduled castes; scheduled castes are not served in plates in hotels; separate glasses for tea for scheduled castes, who are, moreover, not allowed to fetch water from the village well or to enter the temple; and so on and so forth. This situation obtains even today in many parts of the country.

Caste as a social group today has become a very complex phenomenon. It exists in various forms and in different degrees of rigidity in different areas.

The complexity of caste needs some more explanation. We will, therefore, discuss some social forces interacting against, operating on and influencing caste.

Caste, in its original occupational divisions and subdivisions, is almost non-existent today. The religious backing it had once is not so strong now; but the rituals it gave birth to do distinguish different castes even today.

Some aspects of caste—such as marriage, occupation, education—have undergone some changes, but the feeling of caste or belief in its status is still widespread.

The differentiation is not limited only to the three higher castes; the breakdown of these three into various sub-castes has made the identity with the main groupings very difficult. To these add the regional, linguistic and other cultural differences. What exists, then, is not a clear three-tier structure of social hierarchy but a mass of different levels wherein each sub-caste is differentiated from another; but establishing a clear supremacy between any two is difficult. Even Brahmins are not quite sure about their own supreme social status. Some of the traditional "low" castes, *e.g.*, the "Dhangars" (originally shepherds) in Maharashtra, have gained higher status after becoming landlords.

The differences between different sub-castes are vanishing at conceptual level. But there is a discrepancy between conceptualization and day-to-day life. Those opposing pollution and accepting inter-caste marriages and dining with "lower" castes do not necessarily do so in practice.

The emergence of new occupations has brought in some mobility; but even these have given rise to a sort of caste hierarchy. The examples of the higher castes following the "lower" occupations are not many. But, with increasing industrialisation, economic forces are cutting across the caste system. Thus, white-collar workers or skilled workers do not necessarily belong to any particular caste, for persons from different castes are drawn to these occupations. This is an indication of the expanding middle class. This, however, is true only of urban areas. In rural areas, caste is still a predominant factor in the acquisition of status. Thus, the higher castes either follow the professions or become landlords. The middle castes take up occupations in the middle category, while the scheduled castes cannot get any other work except that of agricultural labourers or as servants. The difference between the "haves" and the "have-nots" is still clearly marked in rural areas.

Influence of Economic Factors

Economic forces, too, are cutting across the caste system and throwing up a very complex structure. This inter-mingling of caste and class has given rise to a variety of social groups. Though the lower castes belonged to the economically weaker sections, the different forces of change have made some upward social mobility possible for them. This has given birth to differences in the original and achieved status. Though caste differences are not strictly observed in the higher economic groups, not much change has taken place in the caste system in the middle and the lower economic groups. Social differentiation has increased with the combination of class and caste.

The process of urbanisation has helped the growth of social intercourse among different castes and has done away

with some rigid ideas about fraternisation for social purposes. Modernisation has thrown up new concepts about secularism and social mobility, as a result of which even the concept of caste is changing, at least at the ideological level. This, of course, is true only of highly urban and modernised areas. The rural scene, however, remains unchanged.

Politics is another factor which influences caste dynamics. In some cases, politics has strengthened the caste system by pulling rival castes into opposing political parties. In some other cases, the force of political power cuts across caste and minimises caste rigidity.

Reservations

The reservation of seats in educational institutions and in the offices of Government and quasi-Government bodies for scheduled castes has been the subject matter of a somewhat acrimonious debate. There is no doubt at all that this reservation has been very advantageous for them in the sense that they have had opportunities which otherwise would have been denied to them, and which would enable them to achieve caste mobility to some extent. There are some, however, who claim that this reservation will help perpetuate the differences between the scheduled castes and other castes, and will, moreover, make the higher castes weak by preventing them from sharing in the developmental facilities in an equal measure. This point of view, however, has not been generally accepted because it is conceded that the scheduled castes had been submerged far too long and needed special concessions to help them rise to a better status, even if these concessions resulted in some social injustice to others at some point. Reservations, however, are only a temporary measure. In view of the differences within the scheduled castes themselves, the generally advantageous position still enjoyed by the higher castes and some political pressures, it is difficult to say how temporary this measure will be, or how long it will take before the reservation system wipes out the inequalities from which the scheduled castes have suffered so long.

Social differentiation and social stratification, however, have many bases other than caste. There are, for example, educational, occupational and economic factors which operate at different levels and create caste systems of their own. More than these, however, and more dangerous than these, are differences of caste based on religion, State and language. The divisions among the people of this country on the basis of religion have created a great many social complications, which have sometimes involved the nation as a whole. In the present context of the situation, however, the allegiance to a State or to a particular region has created divisions which may conceivably destroy the unity of the nation.

The solution of the problems that arise out of caste in the present-day conditions is not therefore an easy one. Casteism is deeply rooted in the minds of our people, which only a widening sense of our national identity can arrest and destroy. Increasing political awareness and functional literacy, economic development and general education will help to remove the modern-day versions of caste barriers. The future, however, is not entirely bleak. The younger generation is not so militantly caste-ridden as its forbears were in the past. The future, therefore, lies with them. It is upto them to shed their regional and sectarian identity and emerge as Indians first and Indians last. This is the only way in which our sense of nationhood can be strengthened and vitalised for the benefit of the present generation as well as for the advantage of generations yet unborn.

PHYSICAL FITNESS IS THE KEY TO

Personal Happiness

Physical & Mental Equilibrium

Economic Well-being

National Growth & Strength

Discipline

Fuller & Richer Life

Hence the need for an appreciation of the importance of physical fitness for social and national good. To be physically fit is to be well-armed for the battle of life.

NATIONAL FITNESS

S. D. CHOPDE

The Prime Minister has rightly expressed her concern for improvement in the health and physical fitness of our people with a view to raising standards in games and sports. Will the high-power committees appointed by Government and Sports-controlling bodies take note of the grass roots problem outlined by Smt. Indira Gandhi? A climate for mass participation in exercise and sports for health and fitness has to be first created We, therefore, need to utilise all available resources to improve the level of national fitness by bringing home to children and youths in our educational intitutions, men and women in offices, farms and factories, the importance of their individual fitness for personal happiness and the nation's progress.

Fitness and Progress

The greatness of a nation depends, in the main, on the health, physical fitness and efficiency of its people. On these factors also depends the well-being of each individual. In the highly competitive world of today, different countries continually strive to project their image through various human endeavours—be it increased productivity, greater creativity in arts, science and technology, excellence in competitive sports or even military might; and the health and efficiency of a people are the pre-requisites for achieving these goals.

SHRI S. D. CHOPDE was, till recently, Principal, Lakshmibai National College of Physical Education, Gwalior

Governments of different countries, therefore, actively, and in a generous manner, support programmes to educate youths and adults with a view to ensuring their health and efficiency. President John F. Kennedy once declared : "The strength of our democracy is no greater than the collective well-being of our people. The vigour of our country is no stronger than the vitality and will of our countrymen. The level of physical, mental, moral and spiritual fitness of every citizen must be our constant concern."

In the USSR and the East European countries, the right of the people to participate in physical education activities and sports and the obligations of their Governments to provide the necessary facilities for this purpose have been made mandatory by law.

As against the industrially-developed and affluent nations, the developing countries are up against tremendous odds. Their Governments do not have the means to provide the needed facilities and opportunities on a comparable scale for their people to achieve health and fitness, even though they know that there is a high co-relation between fitness and productivity. The dilemma faced by the developing countries can, therefore, be solved if they assign a high priority to the development of programmes of physical education in educational institutions on a permanent basis. Once habits of regular exercise and participation in sports are inculcated among the young, and once proper attitudes are developed among them, they will grow up with these and attain personal efficiency and greater productivity in their adult life.

Health and Fitness

Health includes physical, mental, emotional and social health. It implies positive and dynamic concepts of total fitness and not merely an absence of disease or infirmity.

Physical fitness as part of total fitness can be broadly defined as the ability to do daily tasks with vigour and alertness without undue fatigue and having reserve energy to enjoy pursuits of leisure and to meet unforeseen emergencies.

Some of the important components of physical fitness are strength, speed, endurance, skill, power, flexibility and agility. These fitness factors are required in some measure and in some degree in performing normal daily tasks in and around the home and the place of work. But the objective of an exercise schedule should be to achieve higher levels of fitness through developing greater cardio-respiratory endurance and greater strength in the different parts of the body.

Fitness Factors

Strength is the ability of the body or of any one of its parts to apply force, and should be developed in the arms, shoulders, the girdle, the abdominal region, thighs and legs. Exercises for strength can be done in one's own room with or without equipment, although such equipment as barbells or dumbells can be readily obtained from sports stores and profitably used.

Speed is the ability to move the entire body swiftly and with a minimum of effort from one place to another. Speed is largely hereditary, which is evident from the fact that selective breeding of race horses is based upon it; but it can be improved by increasing strength in the upper body and lower extremities as well as by adopting better techniques or form of running.

Endurance is the ability of the body to work for a longer period of time without getting unduly tired. To improve endurance, dynamic forms of activity such as jogging, running or rope-skipping are required. The circulatory and respiratory systems must be taxed to develop endurance.

Skill is the ability to do the maximum amount of work with a minimum expenditure of energy, and can be easily developed by continued practice in any task in the correct manner. Skill-learning in sports involves physical and mental practice. Only a correct practice in skills leads to perfection.

Power is the ability of the individual to release the maximum force in the shortest period of time. It involves

utilisation of strength, speed and skill. Weight-training exercises are commonly used to develop power

Flexibility is the ability to have a full range of movements in different joints of the body—a quality which is essential for an efficient performance of different skills. Yogic exercises are excellent for developing flexibility which, in the spinal column, is usually considered to be a sign of youthfulness.

Agility is the ability to change direction quickly and effectively without a break in movement or loss of speed. Improved reaction time and other qualities of fitness, like speed and flexibility, will develop agility.

There are different training methods to develop various fitness factors. Basically, however, calisthenics, or exercises without equipment and training with weights, are used to develop strength, power, muscle endurance, speed, flexibility and agility, while jogging or running develop cardio-respiratory endurance. If you cannot go outdoors for a run, stationary running or rope-skipping can be done at home to develop endurance.

Health Hazards

To achieve the maximum benefits from exercise and participation in sports, the populace must be educated to adopt a life-style that is conducive to healthful living. One must observe health rules in regard to balanced diet, adequate rest and sleep, personal hygiene, avoidance of tobacco, liquor, drugs, etc. Emotional tensions and worries arising out of excessive striving after material success and lack of family life lead to chronic ailments in middle age such as ulcers, coronary heart diseases and other maladies caused by stress. Indians must be enabled to acquire knowledge and skills in a variety of physical recreational activities to break the chain of stress and overcome these health hazards.

The ill-effects of a sedentary life must be countered by daily active periods of exercise and participation in sports. An exercise schedule should be progressive in intensity and

frequency. The safety rule, however, should be not to try to do too much on the first day or in the first week, but gradually increase the load of work that is within one's own capacity The effects of exercise will soon become noticeable; there will be an increased feeling of well-being and a zest for doing more work.

Motivation for Fitness

Children are by nature active. They would rather run than walk. They are all the time on the move. It is the adult—whether parent or teacher—who tries to restrain them in such activities as running, skipping, climbing and throwing. The adult attitude to play and sports as wasteful pastimes needs to be radically modified. The physical urges and drives of the young should be nurtured and sustained by parents at home and teachers in schools.

Just as self-discipline is the best discipline, so an intrinsic motivation for wanting to be physically fit for personal happiness and success in life is better than any external form of motivation. If children are not fit, it is because they probably lack the opportunity to achieve physical fitness. We must recognise the relationship between health and happiness, fitness and productivity. A basic knowledge of the physiological functions of the body, the effects of exercise on different organic systems, health rules—these are an essential part of providing motivation for fitness. This knowledge should be supplemented by opportunities to participate in activities to acquire a variety of skills by an effective use of the body in different tasks, games and sports. Lack of interest in sports where facilities exist is entirely due to lack of skills in sports. Hence there is a far greater need to provide qualified leadership in adequate numbers in educational institutions and agencies to develop knowledge of, skills in, and attitude to, health and fitness. When people act to achieve physical fitness through regular exercise and participation in sports, they may be deemed to be physically educated. Physical fitness, in fact, should become a basis for excellence in different walks of life.

In recent times, a great deal of popular interest has been generated in Western countries through programmes of jogging, through slogans like "Run for Your Life." Thousands of city-dwellers of all ages, shapes and sizes have taken to jogging as a pastime for health and fitness. There is also a tremendous interest in sports as a means of enjoyment and of maintaining physical fitness.

Each one can and should adopt an exercise schedule for a daily work-out with a view to meeting life's demands and achieving quality in living. Through fitness, one can make one's life enjoyable and fruitful, and the nation richer and stronger.